

# Billions of opportunities to change the world:

KLP and Society 2007





## The report

This is the third year running that KLP has published a social responsibility report. The report is issued annually. This edition contains report data for the calendar year 2007, in addition to a plan of action for 2008. The publication date is May 2008.

KLP and Society is a tool to present good results, and to unveil areas which require further development. The first section of the report provides examples of successful cooperation and projects which have been executed in 2007. In the section approved by the Board of Directors (pages 18 to 27), KLP has chosen to report according to the principle of a triple bottom line. The aim of this section is to describe how in 2007 the group has contributed towards improvements, or possibly deterioration, of economical, environmental and social factors, on a local, national and global scale. The plan of action on pages 28 and 29 displays how the group intends to prioritise its future activities related to social responsibility.

KLP has a target to standardise its reports according to the international reporting standard, GRI (Global Reporting Initiative). This year's report contains a number of new reporting variables, particularly in terms of economy and the environment, and comprises a so-called GRI matrix, displaying the different GRI indicators described in the report. In principle, the report deals with the group as a whole, but for certain variables it has been impossible to come up with numbers that include the whole group. If not otherwise specified, the report describes the entire group. It has also proved difficult to identify relevant comparisons on a national and global scale, which can help describe KLP's situation in relation to other actors in the branch. Likewise, we do not have sufficient data for certain material factors. However, KLP is of the opinion that the report satisfies GRI level C.

The report is KLP's "Communication on Progress" (COP) to Global Compact. It is intended to present how KLP complies with the 10 principles laid down by Global Compact, detailed on page 6.

For more detailed information on our work related to social responsibility, go to [www.klp.no/Om KLP/samfunnsansvar](http://www.klp.no/Om_KLP/samfunnsansvar)

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# How?

All the money we invest on behalf of our customers and our own company provides us with an opportunity to display our principles and our ambitions. We make full use of these opportunities. Our customers have transferred almost 200 billion kroner (40 billion USD) to us, which we manage to the best of our abilities. For us, however, it is equally important to invest in a way which benefits society and the environment, as it is to secure high returns. The two factors are intrinsically interlinked.





# An excellent climate for social responsibility

At KLP, we are preparing for the days to come. By assuming social and environmental responsibility, the KLP Group aims to contribute towards sustainable development on a local, national and global level.

In 2002, the Group implemented its policy for ethical investments, encompassing environmental, social and business ethical issues. The Group also compiled a policy for socially responsible conduct in 2006. This highlighted the requirement for all parts of the Group's activities to reflect a high standard in terms of human rights, working conditions, the environment and business ethics. Pensions and insurance are long-term activities. By taking a larger perspective of our role, we will be able to meet all our targets and challenges to the benefit of our customers, employees and society in general.

2007 will go down in history as the turning point for climate awareness. The award of the Nobel peace prize to Al Gore and the UN climate panel, and the climate summit in Bali, were the culmination of a year when both politicians and commerce acknowledged to a greater extent the reality of climate change.

76% of Norwegians are anxious about the consequences of climate change, and 82% are worried about the quality of life of future generations (Source: WWF). Climatic impact was also a focus area for KLP, and the Group prepared its very first set of greenhouse gas accounts. The Group decided to purchase CO2 quotas to neutralise emissions from our activities. KLP also became the Norwegian partner for the international initiative, Carbon Disclosure Project (CDP). CDP asks companies to submit reports on their impact on the climate, working to increase awareness and the likelihood of measures being implemented to reduce such impact. For more detailed information about CDP, see a more comprehensive presentation on pages 14–15.

KLP continues its participation in the UN initiative, Global Compact. The principles of Global Compact, detailed on page 6, have therefore been integrated into all the Group's

activities. 2007 also saw KLP signing the UN's Principles for Responsible Investment (PRI). These are six principles which signalise a stronger commitment to the integration of environmental, social and governance issues in the management of pension and insurance funds. A new policy for Corporate Governance was also adopted, providing a solid basis upon which the Group can influence the companies in which it has shareholdings – for example, by voting at Annual General Meetings. For the very first time in 2007, KLP executed its voting rights at international General Meetings. The company's ethical guidelines were reviewed in the summer of 2007, and the Group is currently working on pilots for dilemma training.

2007 was also the year when KLP developed its very first environmental policy, laying down guidelines for the company's long-term environmental goals. This policy was partly motivated by KLP Skadeforsikring's customers, who introduced specific environmental requirements for participation in tenders. Looking forward, purchasing and property management will be at the focal point for environmental development. One of the group's main efforts towards meeting its environmental challenges in these areas is the construction of the new main office in Bjørvika, scheduled for completion in 2010.

KLP not only aims to be the preferred partner for customers and suppliers, the Group also works hard to attract expert and motivated employees. A new HR strategy was prepared in 2007, providing an efficient tool for ensuring high levels of expertise, good management and a motivating working environment. Our cooperation with the Blue Cross took on a new dimension when KLP employees participated at the Blue Cross summer camp. By allowing employees to carry out voluntary work during working hours, KLP hopes to encourage employees to get involved and make a contribution.

“ 2007 will go down in history as the turning point for climate awareness.

This report describes KLP's position from the perspective of social responsibility. However, this position is far from static. Society is constantly changing, along with global requirements and expectations of a financial corporation such as KLP. Our goal is to take these challenges seriously so that we can help create the very best premises for us all – for the days to come.

I hope you will find this report of interest, and that it will be a source of joy and inspiration.



CEO  
Sverre Thornes



# Values and foundations

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**Vision and values**

KLP’s vision is to be the best partner for the days to come. Our cooperation with customers and other interested parties shall be signalled by KLP’s values: openness, clarity, responsibility and involvement. Our value-based management model has strong foundations within the group, and provides the basis upon which to exercise all our activities.

KLP’s overall target is to generate value for the company’s customers and owners, in an economically sound and socially responsible manner.

**Global Compact**

Global Compact is a network initiated by the UN, which mobilises businesses and voluntary organisations towards a sustainable world. KLP has been a member of Global Compact since 2002. Membership represents a commitment to live up to the 10 principles, related to human rights, working conditions, the environment and corruption. KLP bases its strategies for social responsibility and responsible investment on these principles.

Global Compact’s 10 principles The Company shall:



1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that they are not complicit in human rights abuses
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Uphold the elimination of all forms of forced and compulsory labour
5. Uphold the effective abolition of child labour
6. Uphold the elimination of discrimination in respect of employment and occupation
7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies
10. Work against corruption in all its forms, including extortion and bribery

**Ethical guidelines**

KLP reviews its ethical guidelines on an annual basis. The ethical guidelines are intended to encourage employees and, where suitable, members of the boards of the parent company and subsidiaries as well as controlling bodies when exercising their rights and duties under KLP, to conduct themselves in an ethically responsible manner in their daily work. The guidelines comprise KLP’s business conduct, KLP employees’ personal conduct, implementation and routines for whistle blowing.

One tool for implementing the ethical guidelines in the organisation is systematic dilemma training. A pilot project for dilemma training was executed in 2007.

**Social responsibility strategy**

The group management has adopted a social responsibility strategy which, together with the company’s values and ethical guidelines, substantiates the business targets and strategies.

The social responsibility strategy has its foundation in Global Compact. The overall target is worded as follows:

“KLP shall exercise socially and environmentally responsible conduct in order to contribute towards a sustainable society.”

Socially and environmentally responsible conduct implies that all parts of KLP’s activities shall reflect a high standard in terms of human rights, working conditions, the environment and business ethics.

A sustainable society implies an impact on a local, a national and a global level. Specific targets and initiatives shall be closely connected to KLP’s activities, and are to be developed in close dialogue with interested parties.

KLP and Society is a documentation of how the KLP group works, applying a long-term and sustainable perspective. The work on corporate social responsibility is based on the same strategies and management tools which define how the group as such is running its business. This is an overview of the most important references for exercising KLP’s social responsibility.

**Management system**

KLP applies balanced score cards as an important management tool. Social responsibility is an integral element on the CEO’s score card, and all business units share the responsibility to fulfil these goals.

The results of the balanced score cards are reported to the Board of Directors on a quarterly basis. The aim of score card management is to ensure realisation of adopted strategies and the group’s business plan, and the business units’ contribution towards the company’s overall targets for growth and profitability.

Every year, the group prepares a business plan which forms the basis for priorities and planning of activities. Social responsibility is an integral part of the business plan.

**Strategy for responsible investment**

Our investment strategy reflects our aim to support and respect human rights, workers’ rights, the environment and ethical business principles, in accordance with our participation in Global Compact.

The following principle tools can be utilised:

- a) Portfolio filtration
- b) Active ownership
- c) Investment in socially responsible businesses
- d) Guidelines for non-financial investments

The above tools must be specified for each asset class. Based on this mandate, the administration shall prepare ethical guidelines for all investment activities executed by and for KLP. Reports shall be submitted on an annual basis, which describe how the mandate has been implemented and monitored within the individual investment groups.

**Environmental policy**

In 2007, KLP developed an environmental policy. This is a document which ratifies the company’s intention to establish binding requirements on their own environmental performance throughout the organisation. The document contains a target for environmental certification of the entire group, pursuant to a recognised environmental standard such as the Norwegian standard “Miljøfyrtårn” (Eco-Lighthouse) or ISO 14001.

**The UN’s principles for responsible investment (PRI)**

The UN’s principles for responsible investment (PRI) The UN’s principles for responsible investment are voluntary and inspiring. However, by signing the principles, you are committed to a “follow or explain” principle. The principles encompass responsible ownership and investments by integrating Environmental, Social and Corporate Governance (ESG) issues in management. These are the 6 principles:



1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Money  
obviously  
is not  
everything

Or is it?

**For a company which has to secure future** pension funds for every 8th Norwegian, money is obviously important. However, it is not money alone which will determine the quality of our future. For us, it is perfectly natural and deeply rooted in our values to make a contribution to our society and to the environment, upon which we all rely. It is, in fact, quite incredible what we and our colleagues can achieve, to help make the world a better place. Find out more about our achievements in 2007 – and our plans for the future.



# Ethical exclusion

There are companies which damage protected animal life, make parts for cluster bombs, exploit children, relocate local population, and dedicate millions to corruption. But they are not welcome on KLP's investment portfolio.

KLP believes:

## There is room for forgiveness

A company on the KLP exclusion list is not blacklisted for ever. Several companies have been removed from the list, after in-depth evaluations. In 2007, for example, Anvil Mining, Halliburton and Shin Corporation PCL were removed from the exclusion list.

In 2004, Anvil Mining was linked to the murder of civilians in the Congo, and the company was banned from KLP's investment portfolio. However, the mining company has cleaned up its act since then. For example, they have introduced dialogue with local organisations and reinforced their guidelines and programs related to human rights. Most importantly, the company has invested considerable resources in implementing a set of "Voluntary Principles for Security and Human Rights".

Halliburton has carried out significant improvements to its ethical guidelines, and sold its subsidiary KBR, which was associated with systematic corruption and unethical business conduct. And the Shin Corporation has been re-approved after it sold its share of a company involved in opposing workers' labour union rights.

In order to be removed from the exclusion list, a company must document methods to prevent reoccurrence of their misdemeanours. They must have reinforced internal guidelines and implemented these throughout the organisation. In addition, the information they submit must be verified by an independent third party.

"The best part of our job is when companies on the exclusion list can be re-approved. That means that we have achieved our goal," confirms Jeanett Bergan.

### Excluded companies 2007

As the first Norwegian life insurance company, and with effect from 2002, KLP has subjected all its financial investments to an ethical screening. Our criteria encompass basic human rights, workers' rights, environmental protection, anti-corruption and the fight against weapons and tobacco.

Below is a list of companies on KLP's exclusion list in 2007, due to their association with a breach of international standards.

**Corruption and/or unethical business conduct:** Exxon Mobil, Marathon Oil, Thales SA, AWB, Hess

**Breach of employees' right to freedom of association and collective bargaining:** BHP Billiton, Toyota Motors, Wal-Mart, Vendata Resources Plc

**Damage to the environment or animal life:** Grupo Ferrovial/Budimex, Monsanto Co, Chevron, Duke Energy, Freeport McMoran, Wesfarmers, Petrochina, Vendata Resources Plc, DRD Gold Ltd.

**Involvement in abuse of local population, utilisation of child labour, or complicity to other human rights abuse:** Sodexho Alliance, Bridgestone Corporation, Chevron, L3 Communications, Wal-Mart, Yahoo!, Alstom, Vendata Resources Plc.

A list of excluded companies with detailed information is available on our web site – [www.klp.no](http://www.klp.no). The list also includes companies excluded due to their association with the production of tobacco or nuclear weapons and cluster bombs.

■ KLP has excluded more than 40 companies from its investment portfolio because they breach basic ethical guidelines. "But we give these companies the opportunity to clean up their act. There is room for forgiveness," explains Head of responsible investments at KLP, Jeanett Bergan.

KLP operates with its very own public exclusion list of companies which do not comply with basic ethical standards. To end up on this list is not popular.

"We have a good deal of influence – in fact more than would be the norm for investors of our size. The main reason for this is that we make our exclusion list public. Companies on our exclusion list often contact us to ask why, and how they can rectify their actions," explains Head of responsible investments, Jeanett Bergan.

The recommendations from the Council on Ethics for the Government Pension Fund – Global are followed closely. However, KLP has its own set of guidelines for exclusion, based on the principles of the UN's Global Compact, and the OECD's guidelines for multi-national companies.

"KLP has excluded more than 40 companies, compared with 25 excluded by the Government Pension Fund. We exclude, for example, tobacco companies, and have also evaluated a much higher number of companies than the Council on Ethics," confirms Bergan.

One example of the stringent criteria exacted by KLP is the exclusion of Yahoo! due to its contribution towards a breach of freedom of speech. The Chinese authorities were hunting down a journalist who had sent information on a secret decree to foreign web sites. The decree explained how the Chinese government planned to prevent demonstrations connected with the 10th anniversary of the massacre in Tiananmen Square. Yahoo! handed over the IP address used to the police, and the journalist was sentenced to 10 years in prison.

Jeanett Bergan is pleased to see that many KLP customers are also concerned about ethical principles within business.

"It's important to remember that we're talking about safeguarding basic rights for humans all over the world. We do not believe that it is commercially sustainable to breach human rights or commit serious environmental crime. KLP invests on a long-term perspective, and unethical companies will, in time, be detrimental to our financial targets," she explains.



### KLP services in Health, Security and the Environment (HSE)

- Consultation related to working environment and life phase policies
- HSE analysis of retirement, age mix etc. in a company
- Management training
- Transfer of expertise and network building via courses and seminars
- Support for projects related to working environment and prevention

### What KLP does in Fredrikstad

- Cooperation agreement 2006-2009 which involves support from KLP for several projects in Fredrikstad municipality, totalling NOK 150,000 per year.
- Subsidies in 2007 were used for the main PIA project (Plan for inclusive employment) –with a focus on pregnant women, part-time workers who want full-time positions, and a senior policy.
- In 2008, the entire contribution will be spent on the BETA project, an exciting task involving specialised physical treatment and ergonomic adaptations for 101 day-care centre employees.
- KLP has also contributed towards meeting the costs of lecturers at seminars and conferences for target groups in the inclusive employment agreements, and HSE initiatives within the municipality.
- Meetings between KLP and Fredrikstad municipality four times a year.

■ Fredrikstad municipality is not afraid of using untraditional methods for HSE. "It's important to treat this subject with a sense of humour. People who are having fun get on better at work," says Ellen Berit Andersen.

# HSE with a sense of humour

In Fredrikstad municipality, small, ingenious HSE projects receive just as much focus as major, long-term ones. And you are allowed to have fun at work. KLP could not agree more.

Fredrikstad, as with many other municipalities, has problems with relatively high sickness absence and low retirement age. "On the other hand, 90 % of our employees come to work every day. We are trying to find out what makes people come to work and enjoy working," explains Head of Human Resources, Ellen Berit Andersen. The municipality believes in promoting health instead of preventing and treating sickness. Thus, they measure job satisfaction and involvement each year via their so-called OLI program (Operative Management Index).

Fredrikstad municipality utilises wide-ranging measures to sustain and recruit workforce. "We identify challenging areas, and implement small yet specific and smart projects to improve matters. One example of such projects is helping pregnant women come to work and feel safe there, even in the later stages of pregnancy. And I'm not saying that women get pregnant just to take part in the project, but we've had an impressive number of women signing on," says Andersen, with a smile.

Another popular project is the so-called BETA-project. BETA includes specialised physical treatment and ergonomic adaptation of the workplace. This project is also funded by KLP.

"It all started out with an enquiry from a manual therapy clinic here in Fredrikstad. The clinic owner had spent many years treating municipal employees for muscular and skeletal pain. He wanted to help us reduce our sickness absence, and suggested that he come out to our premises to analyse what caused these injuries," explains Andersen.

Employees in 6 of the 18 municipal day-care centres were invited to take part in the project, and the therapist soon identified the root of the problem. "The day-care workers spend a lot of time pulling sledges, leading children by the hand and pulling them along and this results in a considerable strain on the forearm. This strain was the cause of elbow, neck arm and back pain in 62 % of the persons treated. We would never have uncovered this if we hadn't started the project," confirms Andersen. The employees have been treated individually and trained in how to work differently, with great success. "We are now in the process of passing on this new knowledge to the rest of our day-care employees, and are considering expanding this project to other professions."

KLP believes:

## Triple victory

For KLP, targeted HSE measures are important for securing good pension schemes for the future, benefiting both customers and their employees.

As the largest supplier of public occupational pensions, KLP has both an interest in and a genuine responsibility for helping its customers prevent ostracism in the workplace. KLP has recently strengthened its HSE team further.

"Sickness absence is high in certain parts of the public and municipal sector, and people leave the workplace relatively early in life. There is an ever-increasing demand for information on how to keep people at work," explains Vibeke Os Bratlie, HSE Manager at KLP.

KLP provides assistance to pension customers, encompassing expertise, consultation and financial funds.

"We have identified a connection with the pension challenges in the future. We know which groups face the greatest difficulties when it comes to exclusion from the workplace – and we know what criteria must be met to succeed in preventative work," explains Os Bratlie. That is why KLP takes part in projects they know are beneficial, including those in Fredrikstad. "This is a win-win-win situation. The employees get a better working environment, the employer can sustain a long-term workforce and KLP is ensured good and predictable pension schemes for the future," concludes Os Bratlie.

"There is no doubt that the municipalities are working extremely hard to increase job satisfaction. Our role is to generate enthusiasm and help in transferring experience and expertise. You can't pass on your problems to others, but you can learn from what others have experienced."



### The Carbon Disclosure Project (CDP)

- CDP is a foundation established to generate lasting partnerships between investors and companies, related to the impact of climate change on share values and commercial activities. The main target is to pave the way for dialogue, substantiated by quality information, which will result in actions to combat climate change. CDP functions as a secretariat for institutional investors, with a total of 57 billion dollars in their portfolio.
- On behalf of the investors, CDP requests listed companies to fill in a questionnaire regarding their emissions of greenhouse gases, how the company approaches the impact of climate change and the opportunities and challenges this represents.
- More than 1300 companies completed the last questionnaire carried out in 2007.

■ The measurement of greenhouse gas emissions has proven, in itself, to have a disciplinary effect. "KLP's involvement in this generation's most important moral and political challenge is of immeasurable value," confirms Amanda Haworth Wiklund, Head of CDP in Scandinavia.

# Partners in climate

There are investors who take climate change seriously, and many of these are involved in the Carbon Disclosure Project. KLP is the Norwegian partner for the project.

CDP is an independent, non-profit organisation which challenges companies worldwide to include the climate in their business strategies. The main aim of the CDP is to generate lasting partnerships between investors and companies, related to the impact of climate change on the value of shares and commercial activities. The main target is to pave the way for dialogue, substantiated by quality information, which will result in the fight against climate change. The project owns the world's largest database for climate reports issued by companies.

More than 300 financial investors are currently Signatory Investors in CDP, including Norges Bank. KLP became a participating investor as early as 2002, but became even more deeply involved last year by becoming CDP's partner in Norway. As partner, KLP is committed to taking the initiative in relation to Norwegian companies, and for promoting the project to interested parties in Norway.

"If we are to encourage Norwegian companies to make their contribution towards reducing emissions of greenhouse gases, we need a close partner in Norway. KLP's involvement in combating the most important moral and political challenge of this generation is of immeasurable value for us," explains Amanda Haworth Wiklund, Head of CDP in Scandinavia.

CDP initially focused on multinational companies, but the foundation established a separate Nordic project last year. "In doing so, it felt natural to establish closer ties to KLP. They had already supported our work for a number of years. We sent out questionnaires to Nordic companies, and they reported their emissions and the challenges and opportunities related to the climate," explains Haworth Wiklund.

KLP was in charge of launching the report in Norway. The event was successful and had a good turnout. It also received positive press reports.

"Norway achieved a response rate of 67 %, four percent lower than Sweden, but much higher than Denmark. And this in a relatively short period of time. Without the impressive efforts of KLP, the reporting would not have been as successful," confirms Haworth Wiklund. She believes that national representation is a decisive factor for securing dialogue with the national companies, other interested parties and, not least, to influence politicians and the media.

"Our cooperation with KLP is so important for us that it is impossible to place a value on it," states Haworth Wiklund.

KLP believes:

## Measure, report, act

As Norwegian partner for the Carbon Disclosure Project, KLP aims to increase environmental awareness in companies. The simple act of measuring emissions has already proven to have a substantial impact.

"There are several reasons behind KLP's decision to become partner with CDP. Firstly, world leading researchers have now agreed that the climate really is changing. Businesses, public institutions and every individual must accept the responsibility to meet this challenge," says Jeanett Bergan, Head of responsible investments at KLP.

She believes that KLP, as one of Norway's largest investors, is in a unique position in terms of increasing awareness of climate change among Norwegian companies. "These efforts help us generate innovation and contribute towards strategic decisions in companies to meet the challenges we all face," she says, and continues: "Experience has shown that what gets measured gets managed. Measurement of greenhouse gas emissions, in itself, has a disciplinary impact. We firmly believe that those companies best positioned to tackle these challenges will greatly benefit in the long term."

The CDP questionnaire was distributed to 20 Norwegian companies in 2007. In 2008, the number has doubled. "The number of companies involved in the project is on the rise. We hope and believe that this database will prove an important source of information for the future, keeping in mind that many agree with us that pollution will become increasingly expensive for companies," concludes Bergan.



### The Eco-Lighthouse scheme

- The Eco-Lighthouse is a Norwegian, official environmental certification scheme supported and recommended by the Ministry of the Environment.
- Businesses which subject themselves to an environmental analysis, and subsequently fulfil defined branch requirements, receive the Eco-Lighthouse certification.

For KLP Skadeforsikring, certification will imply that the company will require a green profile from suppliers, thereby contributing towards a greater degree of environmental liability among companies. Certification also implies configuration of all printers to print out on both sides of the paper, waste management and measurement, and recycling or donation for reuse of all electronic equipment to be replaced. Energy consumption shall be registered and monitored periodically, and transport shall be as environmentally friendly as possible.

■ In its drive to protect the environment, Nordland county administration now demands environmental certification from all its subcontractors. "The companies were somewhat sceptical at the start, but the attitude has changed now," confirms purchasing manager Dagfinn Sivertsen. Purple saxifrage is the regional flower for Nordland.

# Environmental profile required

If everyone followed the example of Nordland county administration, the world would quickly become a greener place. By the end of this contractual year, all suppliers to the county administration are required to achieve an environmental certification. This includes KLP Skadeforsikring.

"Our county plan has established that Nordland shall be at the forefront of environmental initiatives. County administration procurements play an important role – it provides us with the opportunity to influence people outside our organisation. We purchase for 1.5 billion kroner every year, and when we demand environmental certification from all our suppliers, this will represent a huge environmental gain," explains purchasing manager, Dagfinn Sivertsen in Nordland county administration.

On 22 December 2007, the county administration's purchasing department received ISO 14001 certification. This implies that all suppliers must meet environmental requirements. "We decided to request that all companies providing goods or services to Nordland county administration must now seek an official environmental certification. Companies who do not have such certification must achieve it within this contractual year," explains Sivertsen. He firmly believes that the majority of suppliers will reach this target with a good margin.

"If a company truly wants it, they can achieve certification easily within one year. There was

a certain amount of scepticism initially, particularly among the small and medium-sized companies. The general fear was that this would be both expensive and time consuming. But after a while, we started receiving a good deal of positive feedback, and we have contributed with our expertise and guidance when needed."

"It's not our aim to exclude companies. On the contrary, we feel it is essential that all our suppliers take part. Nobody can save the environment alone. We have to join forces," says Sivertsen. He can also confirm that a number of companies have discovered great benefits from implementing environmental initiatives, and that some companies have decided to take this several steps further than the minimum requirement of the county administration.

"Environmental certification often brings with it improved quality, improved procedures and more control. Moreover, suppliers are most likely to meet stricter environmental requirements in the near future. Environmental certification provides a competitive edge, both for the present and the future," says Sivertsen.

### KLP's response:

#### Accepting the green challenge

With effect from the summer of 2008, KLP Skadeforsikring can call itself an Eco-Lighthouse organisation – thanks to the challenge laid down by Nordland county administration.

"An increasing number of customers exact environmental requirements from their suppliers, and we want to develop at the same pace as our customers. Initiatives to protect the external environment are an important element of our social responsibility, and we were therefore more than willing to accept the challenge of Eco-Lighthouse certification," explains Elin Evjen Hagen, who has been responsible for this process in KLP Skadeforsikring. The GRIP foundation (Green in Practice) – has provided consultancy for the project.

"KLP has had the environment on the agenda for some time now, but we needed to systematise our efforts and develop good procedures and documentation," explains Evjen Hagen. Qualification for the title of Eco-Lighthouse is not achieved in a twinkling of an eye. For KLP Skadeforsikring, this process took around six months. Seven to ten persons from different parts of the organisation had an active role in the process at all times.

One central factor was to ensure that the process was fully integrated throughout the organisation. "It's up to the individual employee to make sure the procedures are followed on a day to day basis. We have to join forces, and it's essential that everyone takes part," says Evjen Hagen, who can confirm that all members of the organisation were very enthusiastic and willing to take part. "We are confident that KLP Skadeforsikring, from now on, will have a much smaller impact on the environment. It will be interesting to see whether the initiatives will also have a financial impact, and a positive effect on the working environment."



When what's  
important can't  
be measured,  
what's measured  
becomes  
important

Or not?

**KLP has chosen to report according to the** “triple bottom line” principle. The group therefore prepares its best estimate for its influence on the areas of Economy, Environment and Society. This year's report has a number of new reporting variables, and KLP has taken a further step towards compliance with the internationally recognised reporting standard, “Global Reporting Initiative” or GRI. On the following pages, KLP provides readers with an insight into its results, priorities and initiatives for 2007, both in-house and in relation to external interested parties.



# Economy

The KLP Group provides financial and insurance products to the public sector and associated activities. KLP manages pension funds for 333 municipalities and county municipalities, 2.300 companies, 30 health institutions and 5 regional health organisations. The pension funds carry rights for in excess of 1 in every 8 Norwegians. KLP also manages approximately NOK 500 million in general insurance premiums related to municipal activities, and is one of the largest property managers in the country. The parent company (Kommunal Landspensjonskasse) is a mutual insurance company, owned by its pension customers. KLP’s pension activities have an impact on public economy, and secure the private economy of individual pensioners.

### Management principles

It is essential that KLP’s activities are based on commercial and healthy management principles. In 2007, KLP has reviewed and further developed several of its management documents.

The Board of Directors has decided that KLP shall comply with the Norwegian recommendation for corporate governance and company management, where suitable, in relation to organisation structure as a mutual company. Consequently, a number of changes were made in 2007 to the instructions for the board of directors, the instructions to the CEO and to the Articles of Association.

KLP established its socially responsible investment policy in 2001. This policy was extended in 2007 to include principles for KLP as a responsible investor and owner. These principles underline the long-term perspective of ownership, and stipulate that sustainable development shall be an integral consideration. In 2007, KLP also signed the UN’s Principles for Responsible Investment (PRI). This is an initiative targeting capital owners and capital managers, in which these commit to seeking the potential to include environmental, social and corporate governance issues in investment decisions and ownership policy.

KLP also audited its ethical guidelines for employees in 2007, and in December the Group carried out a pilot for dilemma training related to the new guidelines. The target is to establish knowledge, understanding of and involvement in ethical dilemmas. The Group is currently evaluating an implementation of this

concept on a larger scale. The pilot is under assessment.

Social responsibility is also a part of the Group’s balanced score card system. Goal achievement for 2007 was 80%.

### KLP as a financial player

In 2007, KLP received NOK 18.3 billion kroner in pension premium income, an increase of NOK 3 billion from the previous year. Pensions are a significant expense item for KLP’s customers, and predictable and stable pension expenses are essential. As the Group achieved a good book return, it has been proposed that NOK 3.6 billion be allocated to the customers’ premium fund. In addition, the customers’ supplementary reserve has been increased while the equity fund is sustained at a solid level. KLP therefore has good solidity which helps ensure predictable and stable returns, which in turn allows for predictable and stable pension expenses for our customers, without the requirement for extraordinary premium payments or equity contributions.

In 2007, KLP paid out NOK 6.6 billion in pensions to 140,000 pensioners. The number of persons receiving pensions from KLP follows a steady growth curve. In 2007, around 16,000 pension applications were processed. The pension system has become more flexible with time, but also extremely complex. This has an impact upon and results in changes to current pensions, and almost 90,000 enquiries and requests from pensioners and insured parties were processed in 2007.

As with other administrative companies, KLP has major expenses for the purchase of IT

equipment and office materials. In total, but exclusive of KLP Eiendom (property company), KLP purchased for NOK 400 million\* (this figure is based on an analysis of the accounts payable ledger), a cost distributed between more than 1,200 suppliers, while KLP Eiendom had purchasing costs of NOK 498 million for 2007. Work is under way to develop a centralised purchasing policy for the entire group. KLP’s ethical guidelines also cover general attitudes related to purchasing. KLP Eiendom has ISO 9001 certification, and the company’s purchasing policy focuses on some environmental factors, prohibiting the purchase of materials such as tropical timber.

### Management of customers’ funds

At year-end 2007, KLP had total assets of NOK 194.5 billion. Financial income totalled NOK 12 billion. The pie chart below provides a distribution of investment funds between different classes of assets.

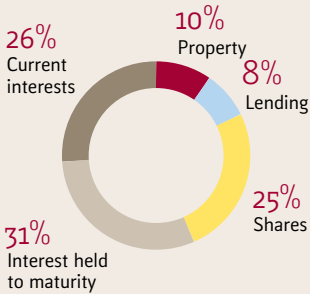
It is important that our customers can rely on KLP to manage insurance schemes, pension funds and other funds in a cost-efficient manner, safely and profitably. The paramount principle for investments and ownership is to secure KLP’s long-term financial commitments. For KLP, when deciding upon investments and ownership, social and environmental considerations are an important aspect of our goal to be long-term and responsible.

With our ethical criteria, a number of companies are excluded from KLP’s investments in shares. The graph below shows how this impacts on yield seen in terms of a portfolio of global shares without exclusions. For 2007, the global index after exclusions indicated

a yield spread for the global share portfolio of minus 0.29% in relation to the Morgan Stanley World (MSCI World) reference index. Since start-up, the spread has been calculated at an average of minus 0.1% per year. In other words, KLP would have achieved a higher yield without the exclusions, but the difference is relatively small and this is viewed as a short-term cost which KLP is prepared to bear in order to achieve ethical management. In relation to KLP’s total funds for management, the negative effect in 2007 was 0.06%.

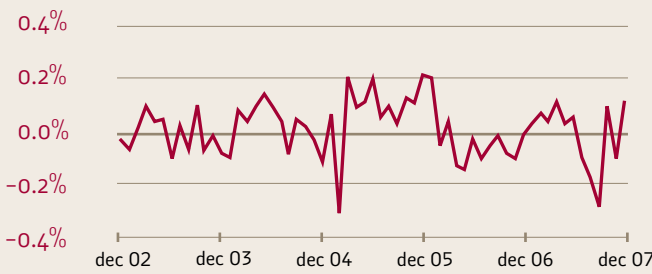
“Responsible investments” require more than exclusions. It is equally important to integrate environmental and social factors, in addition to principles for business management, into the actual investment process. This will help provide better yield – as it will result in primarily identifying the companies best positioned for the long term, and secondly by substantiating as owner the companies’ incentives towards sustainable development. Moreover, many believe that pollution will become increasingly expensive for companies. Companies with the lowest levels of pollution within a certain branch will therefore be awarded with lower costs over time.

### Distribution of assets 31.12.2007



### Monthly yield spread

KLP Wold vs MSCI World





# The environment

KLP is an administrative company, and has a very limited impact on the environment. Direct impact by KLP is in the form of its property activities and transport, waste, energy and material consumption related to the group’s offices. Indirect impact on the environment is in the form of KLP’s investments in other companies. KLP’s partnership with the Carbon Disclosure Project provides an example of KLP’s targets, together with other investors, to encourage others to protect the climate and the environment.

### New policy for own environmental achievements

In February 2007, KLP established its own environmental policy. This is a document, committing the Group to further develop its environmental profile, where the end goal is environmental certification for the entire group. The first step in this process is a review of the group’s environmental work, practice and achievements. All follow-up shall be integrated into HSE activities.

When participating in public tenders, KLP Skadeforsikring is met with specific environmental requirements from customers. This subsidiary has therefore implemented a process whereby it shall achieve certification according to the Eco-Lighthouse standard (Miljøfyrtårn). Certification shall be executed pursuant to general branch requirements and requirements on administrative companies. The main tasks are to carry out an audit of the company’s environmental impact, to prepare a satisfactory environmental policy, identify operative goals and measures, carry out these measures, follow-up and report results.

Development of energy consumption in self-managed properties

KLP Eiendom is one of Norway’s largest property companies with around 1.1 million m2 hired out for educational purposes, as office space, hotels, shopping centres and for residential purposes. The company has, to a certain degree, a direct impact on energy consumption, heating sources and waste management in properties hired out to other parties.

Over time, KLP Eiendom has registered a number of measurement parameters which indicate results and final goals for the year 2010.

The figures for energy consumption differ significantly between Oslo and Trondheim. This is due to the fact that in Trondheim, the total energy consumption is recorded on communal meters ,and the costs are distributed between the tenants in relation to how much space they rent.. In Oslo, KLP Eiendom registers only parts of the energy consumption for the buildings. The tenants have their own meters and pay for the energy they consume within their own areas. The energy consumption for 2007 has apparently not seen a reduction, neither in Oslo nor Trondheim. However, these figures have not been corrected for variations in the average annual temperature. If we take this into consideration for Oslo, the

result would be 123 kwh/m2, a reduction from 127 kw/m2 in 2006. In general, it is difficult to prepare comparison figures over time and between different buildings. Use of premises changes considerably throughout the year – for example, premises may be empty for certain periods before being let out, resulting in increased consumption, properties are reconstructed, purchased and sold. In 2008, priority will be given to identifying new methods to reduce energy consumption, in particular when designing new buildings. This will also require further development of measurement methods.

KLP Eiendom has two properties where fuel oil is still used to provide heating. In 2008, the heating source in one of these will be converted from fuel oil to remote heating. The target is to phase out all utilisation of fuel oil by the end of 2010. This allows us a realistic goal of achieving a remote heating quota of 52% in 2010. The company’s waste separation situation has shown a positive development, and we believe that our goals for 2010 are within reach.

Environmental status of our own premises  
The organisation’s, and individual employee’s

direct impact on the environment is primarily related to use of transport, energy, office equipment and the waste generated. The paragraphs below describe measures implemented in 2007.

### Energy consumption

KLP has monitored the energy consumption for its main office, and the total energy consumption has increased by 16.9% from 2006 to 2007. The total figure for 2007 was 9,924,927 kwh. Remote heating is used for the ventilation system and for heating the building. Electricity is used for operation of the IT park and other electrical equipment in the building.

Electricity consumption has remained relatively stable, while there is an evident increase in the consumption of remote heating. This is due to a change in the use of the ventilation system in 2007. In previous years, the ventilation system was turned off during the evening and night, representing an increased risk that the ventilation system could freeze during the winter. In 2007, the ventilation system was on 24 hours a day during the winter months. This has resulted in an increase in the consumption of remote heating.

### Flights

In 2007, air travel by KLP employees totalled 3941 flights. The calculation is based on the assumption that the ratio between singular and return flights was the same as in 2006. This equals an average of 6.1 flights per employee for the year – a reduction from 2006, where the corresponding number was 6.4. KLP’s employees primarily travel around Norway.

### Recycling waste

In 2007, KLP has continued its active approach to recycling paper and other recyclable materials. Currently, paper, cardboard, glass, plastic, metal and electrical articles are recycled. The table below contains estimated volumes sent to recycling in 2007. The company aims to develop improved procedures for reporting within this area.

### Return and sorting of waste

KLP has a collection system and return scheme for printer toners and fluorescent tubes. Surplus furniture is given away to own employees, hospitals, institutions or humanitarian organisations. Any remaining furniture is transported to Grønmo recycling station.

In 2007, KLP implemented a new graphic

profile. As a part of the preparations for the launch of the new graphic profile, the store of profile articles and office stationery with the old logo was kept to an absolute minimum. The surplus of profile articles of lasting value were distributed to East Europe via the Blue Cross’ international network.

Second-hand PC equipment and printers, with a recyclable value, are repaired and donated to schools via Alternativ Data. Unfortunately, the company was not able to prepare figures showing recycling percentage for 2007.

### Green IT decisions

KLP has reduced power consumption by replacing more than 100 physical servers with virtual servers on seven physical computers. In addition, the company is particularly evaluating the purchase of laptop computers with a view to further reducing power consumption.

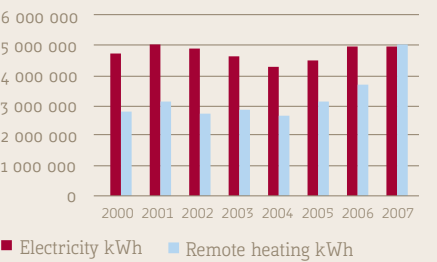
### Environmental-friendly meetings

Facilities for video-conferencing have been installed in the main office in Oslo, in Bergen, in KLP Eiendom and in the company’s regional offices in Trondheim and Copenhagen. Starting in 2007, the development in the use of video-conferencing is closely monitored. Not

## Development of energy consumption in buildings under KLP management

Parameter	Selection	Measurement unit	Result 2005	Result 2006	Result 2007	Goal 2010
El-consumption Oslo	Total consumption in properties managed by KLP Eiendom	Kwh/m2 gross area	97	104	107	90
El-consumption Trondheim	Total consumption in properties managed by KLP Eiendom	Kwh/m2 gross area	267	235	247	210
Share of remote heating	All self-managed properties in Oslo region (exc. hotels)	% of m2 gross area	48%	45%	45%	52%
Waste separation	Share of separated waste for shopping centres in Oslo	% separated	40%	41.3%	48.9%	50%
Waste separation	Share of separated waste for office properties in Oslo	% separated		44%	45%	51%

## Energy consumption main office



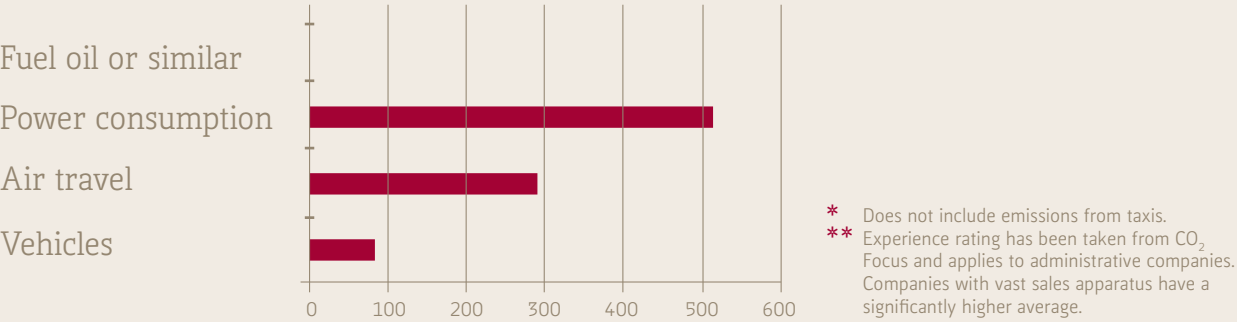
## Recycling of waste

Source	Volume recycled
Paper and cardboard	100 000 kg/year
Electrical articles, special waste	3 300 litre/year
Glass	700 litre/year
Plastic (not compressed)	2 500 litre/year
Residual waste	125 000 kg/year



Climate accounts 2007

Estimated CO2 emmissions in tons pr category



least, the company is evaluating whether it has sufficient capacity to execute requested video-conferences.

In 2007, KLP held 777 outgoing video-conferences compared with 909 in 2006 (Source: Telenor). The figures do not include video-conferences from Trondheim and Copenhagen. Unfortunately, we do not have any reports on incoming video-conferences, where an external party arranges a meeting with KLP. Assuming that each video-conference saves at least 1 return flight, we can confirm that video-conferencing is a positive contribution to the environment. In addition, the company makes use of web and telephone conferences.

Green courier service

The company has a regular courier service in operation daily between the main office in Karl Johans gate and the subsidiaries in Oslo. The courier service between these offices is carried out by bicycle, and the supplier bases its service to KLP on the "bicycle in the centre" policy. The only exception is for large packages, particularly VIP dispatches and deliveries to offices outside the city centre. In 2007, KLP made 1,502 dispatches in Oslo, of which a total 1,348 (89.7%) were carried by bicycle.

Climate accounts for 2007 – new motivation to make reductions in 2008

A set of climate accounts was prepared in 2007 for the very first time, in order to estimate KLP's total climate emissions. KLP's emissions are estimated to be 890.5 tons of CO<sub>2</sub>\*. This corresponds to an average of 1.4 tons per employee. This is within the branch average, which is from 1–2 tons\*\*

per employee. The sources of KLP's main emissions are power consumption and air travel. The estimated CO<sub>2</sub> emissions are distributed as follows (figures in tons).

Purchase of UN approved climate quotas

At year end, the company decided to purchase UN approved climate quotas in order to compensate for the group's estimated CO<sub>2</sub> emissions. The company shall purchase 891 UN approved quotas linked to Clean Development Mechanism (CDM), in an Indian project which helps replace fossil fuels with bio-fuel. The quota purchase will be executed in 2008.

New challenges

We still have some way to go before we can fulfil the ambitions of our environmental policy. One of the greatest challenges is the planning and construction of the new main office to be built in Bjørvika. The specifications for the building included a requirement that it should be a "model project" in accordance with Enova's program for "Energy use. Homes, buildings and plants". This implies an energy target of maximum 50% in relation to current practice. The framework conditions for the Bjørvika development can however make it difficult to achieve this target. The planning documents also establish an objective to choose the most environment-friendly solutions. KLP Eiendom has an obligation to document that all decisions are made upon this basis.

Another major area for development is the establishment of a centralised purchasing policy, which encompasses environmental and climate-related requirements.

Measures in relation to external parties

Monitoring of impact on the climate

In 2007, KLP Kapitalforvaltning (KLP Asset management) signed a partnership agreement with the Carbon Disclosure Project (CDP). CDP is a project involving many of the world's largest institutional investors who have joined forces to influence companies to report their impact on the climate. As a responsible investor and owner, KLP believes that this project is an excellent method to create awareness in companies, and improve their reporting procedures and performance related to the emission of greenhouse gases. As Norwegian partner for the project, KLP engages in dialogues with Norwegian companies, investors and authorities regarding the project. Moreover, KLP held a seminar on the challenges related to the climate in connection with the launch of the report in Norway. KLP was also involved in the work to further develop this project.

Investments in sustainable business

KLP also invests in particularly "sustainable businesses". KLP has invested both directly in projects which reduce emissions, and indirectly via so-called venture funds with specialised expertise in environment-friendly technology (cleantech).

Project for sustainable added value

In 2007, KLP compiled a proposal for a project where the company, together with several other Norwegian institutional investors, aims to take the initiative towards sustainable added value.

Society

KLP has customer relationships with every municipality in Norway, every county municipality, the majority of Norwegian health institutions and more than 2,300 companies connected to the public sector. KLP also has a close relationship with the authorities and other decision-makers, and aims to apply its influential powers on Norwegian and international companies in which financial funds are invested. KLP's own employees naturally also form an important partnership group. KLP's interaction with other bodies within society is therefore essential.

Customers

Risk prevention is important both in terms of business and for society in general. KLP Skadeforsikring (general insurance) has established a project for "Systematic safety management in municipal buildings" in cooperation with the Norwegian Fire Protection Association and the Directorate for Civil Protection and Emergency Planning (DSB). KLP Skadeforsikring places a significant focus on contributing towards a comprehensive safety philosophy and understanding of risk for the management and maintenance of municipal buildings. The purpose of the project is to provide owners, managers and users of municipal buildings with the expertise and a methodical computer tool to improve safety management within municipal properties. The first module was completed at the end of 2007, and the last module is due for completion during the spring of 2008.

Throughout a number of years, KLP has worked together with customers to create a more inclusive and healthier working life. Reduced sickness absence and lower levels of disability pension and early retirement represent a positive effect on customer's costs, and also help secure a reliable and profitable collective pension. In 2007, KLP has developed its expertise regarding senior policies, preventative work and HSE, in order to meet an increasing demand from customers within this area. A team of five persons has been set up to help customers with advice, project management and various types of courses related to working environment and senior policies. In 2007, KLP has worked closely together with 150 customers on such projects. Many of these were innovative and have a significant value in terms of transfer of

experience. KLP supported a number of these projects financially, and total funds for preventative projects totalled NOK 3 million in 2007.

In the autumn of 2006, KLP launched an Internet service, "Min Side Pensjon" on which all holders of pension rights in KLP are able to monitor pension contribution time, calculate future pension payments and find relevant information on pension schemes. In 2007, this web site had more than 46,000 visits. The web site is an important tool to increase user-friendliness in relation to both employer and employees.

Customer satisfaction

Every year, a customer satisfaction survey is carried out to gauge customer opinion of KLP. Based on these surveys, measures are compiled to further improve KLP's services. In general, customer satisfaction is higher in 2007 compared with the previous year. The satisfaction score has increased from 75 to 80 among municipalities, from 68 to 77 among health institutions and from 65 to 69 among companies. The maximum score is 100. The same pattern is evident in the majority of individual areas, and particular within those areas where improvements have been targeted since the customer satisfaction survey in 2006. This proves that KLP has been successful with its systematic efforts to improve what are already good customer relationships.

KLP invests significant resources in increasing the efficiency and automation of processing of cases for pensioners, and in providing a good service. A survey indicated that pensioners in general are very satisfied with the service from KLP. Over 80% of those surveyed replied that

they are satisfied or very satisfied with the management of their pension application.

Employees

In 2007, KLP adopted a new HR strategy, with the following main headings: Attractive workplace, Correct expertise, Efficient organisation, Good management, Culture and change, and Efficient human resources management. This strategy represents an important milestone for development of the organisation, managers and employees.

Facts on KLP's organisation

The KLP organisation has witnessed a significant growth in 2007, with an increase of 83 new permanent employees as of 31 December.

- Permanent employees as of 31.12.2007: 647 (564), including Copenhagen office.
- There is an equal number of women 324 (284), to men 323 (282) employed by the Group.
- Average age: 40 years
- Among the management team, there is 64.5% (69%) men and 35.5% (31%) women.
- The Group workforce is stable, with a turnover of 6.9% (6.3%) (2006 figures in brackets)

All employees are covered by the collective agreement between the Finance Sector Union of Norway and the employer's Federation for the Financial Services Industry. Around 50% of KLP's employees are members of the Finance Sector Union of Norway.

All employees take part in HSE work via the safety deputy scheme. Local and central works



Development in sickness absence



councils discuss HSE in meetings. The works councils, both at Group and company level, consist of management, the employee representatives and the safety deputy. The works councils hold four meetings every year.

*Equal opportunities*  
Since 2005, the group has had an equal opportunities policy with defined targets within a number of areas. There are equal numbers of men and women on the KLP Board of Directors, and two of eight group managers are women. 26% of managers on the two upper levels are women. On the third management level, 43% of managers are women. This is an increase from 37.5% in 2006. The Group aims to further develop equal participation between woman and men on all managerial levels. An analysis of salaries for men and women in comparable positions indicates that KLP has no demonstrable differences related to gender. The equal opportunities policy is always applied when recruiting new employees. The gender distribution among managers has become more balanced throughout the year. In 2007, KLP Eiendom, as the last subsidiary, achieved a 40% quota of women on the company's Board. In 2007, one employee from KLP has taken part in Futura, the Norwegian Financial Services Association's program for female managers.

*Sickness absence*  
In 2007, sickness absence saw an increase of 0.5% compared with 2006. This increase is attributable to long-term absence, where the increase was 0.6%. Subsequent to the introduction of the agreement for inclusive working life in 2001, the group in total has witnessed a positive development in sickness absence. It is now important to identify measures aimed at reducing long-term absence, defined as absence in excess of 16 consecutive working days.

*Humanitarian work and the apprenticeship scheme*  
KLP encourages its employees to exercise their social responsibility via participation in humanitarian work. Participation is not a right but an opportunity, when participation does not negatively interfere with the employee's ability to carry out his or her job satisfactorily. Examples of humanitarian work are participation in the Blue Cross summer camp for children, Red Cross rescue operations and the like. Employees who wish to utilise this opportunity can apply to their managers for leave with salary, normally up to two days.

In 2007, KLP was approved as a company for apprentices, and KLP Skadeforsikring had one apprentice for a period of time.

**Sponsorship agreements and gifts**  
*Blue Cross and KLP – together for the children*  
In 2007, KLP has continued its cooperation with the Blue Cross. This partnership is very important for KLP because of the positive effect the organisation's work has on society. Among the factors contributing to high sickness absence and early retirement are drugs and alcohol abuse. The work to prevent such abuse is therefore thought to have a positive impact on sickness absence in general, and this corresponds well with KLP's HSE targets; to increase the number of employees in active work.

KLP has supported the project "Awareness among parents – a good start" with total funds of half a million kroner. The project aims to provide children and youths with a safer childhood environment. By providing parents with information and facts, the project aims to establish positive and conscious attitudes which can be handed down to children and

youths. These attitudes will generate long-term benefits when the next generation is ready to start work. KLP sponsored a campaign on the P4 radio station to market the "Awareness among parents – a good start" project during Christmas 2007.

In 2007, KLP introduced a scheme whereby their employees could voluntarily participate in the Blue Cross summer camp, in a move to encourage employees to become more involved with the Blue Cross. Two employees took part in the summer camp in 2007.

*JChristmas gifts*  
KLP did not hand out the traditional Christmas gifts to business associates in 2007, but chose instead to donate NOK 100,000 to the Blue Cross.

KLP's own employees chose not to receive a traditional Christmas gift from the group. A vote was held among the employees, resulting in a donation of NOK 200,000 to the Norwegian Cancer Society.

**Business policy**  
KLP has an ambition to contribute towards the development of suitable and satisfactory framework conditions for the industry, our customers and the holders of pension rights in KLP. We work towards this ambition by maintaining close dialogue with tariff parties, industry organisations, various professional environments and the authorities.

KLP participates on the Norwegian Financial Services Association's professional committee and on the organisation's Board of Directors. KLP has also participated in the compilation of a common social responsibility policy for the financial services industry.

In 2007, KLP joined a number of working groups related to the commission for the commercial banking act. These groups were linked to the development of the regulations for individual pension savings with tax deduction (IPS), insurance brokerage, general insurance and financial legislation in general. Among the results achieved was that the proposed regulation for IPS allowed a suitable connection to the mandatory occupational pension.

The Parliament's pension settlement represents significant challenges in terms of adaptations of the mandatory occupational pension. KLP has a wide-ranging participation in this work, by preparing a number of potential models. The purpose is to illustrate to the tariff parties and the authorities the consequences of different adaptations, particularly in terms of costs and rights.

KLP has played a central role in making sure that the Secure scheme (Sikringsordningen) covered by the Transfer agreement (Overføringsavtalen) functions as intended. The scheme was established in 2004 to meet the promise from the Government and the Parliament that all accumulated municipal pension rights shall be ensured full regulation, even after legal changes intended to stimulate increased competition on the municipal pension market.

**Responsible investments**  
Since 2002, KLP Kapitalforvaltning has carried out a filtering of companies in accordance with the principles in the UN's Global Compact. To exclude a company, KLP needs to see impartial documentation of serious or systematic breaches of recognised international standards related to human rights, environ-

Filtering of companies 2007

Total no. excluded companies, 31.12.07	41
Human rights	7
Employee rights	3
Environment	4
Corruption	3
Cluster munitions	7
Nuclear arms	7
Tobacco	10

KLP Kapitalforvaltning has had an ethical filtering of the portfolio in place since 2007. The table shows the number of excluded companies in our index universe, 2007.

mental protection, employee rights, weapons and corruption. Tobacco manufacturers as such are also excluded. KLP publishes a list of excluded companies, partly to place pressure on the companies to improve. In 2007, seven new companies were excluded, while two previously excluded companies have been taken into the portfolio after they implemented a number of significant improvements.

KLP shall also be an active owner by seeking opportunities to exercise a positive influence on those companies in which KLP has invested. As a part of KLP's ownership principles, various formats for ownership activities have been adopted. Firstly, KLP can make use of its voting rights as shareholder. Secondly, KLP can take part in various company bodies, but not on the Board of Directors of a publicly listed company. Moreover, KLP will actively seek various activities and initiatives to influence companies and other interested parties towards a sustainable development.

*Voting in companies where KLP has ownership*  
Voting is essential for the safeguarding of KLP's basic ownership rights. Active voting contributes towards making Boards of Directors and company management accountable for their actions. KLP is in general a minority shareholder. For minority shareholders, voting at the company's general meetings is an important tool to help prevent their opinions from being ignored by the company management or controlling shareholders, and to protect their financial interests. Voting is also a tool to safeguard social and environmental issues. A large and ever-increasing share of global shares is owned by pension funds and other investors who, to a great degree, have the same goals as KLP.

KLP has implemented a strategy for how voting rights should be exercised, also internationally. KLP owns shares in 2,000 companies and as such it is impossible to attend the general meetings in every company. There is also a limit to how many independent analyses of companies outside of Scandinavia KLP can execute with limited resources. Today, so-called proxy voting is possible in the majority of companies – whereby an owner can vote without being present. A representative votes on behalf of KLP, according to pre-established criteria. The criteria for how to vote are comprehensive and comprise social, environmental, economical and governance issues. In 2007, KLP voted on 274 items. In almost 9% of cases, KLP voted against the company management. 17 of the 274 cases dealt with environmental or social responsibility issues.

*Project Controversial countries*  
Last autumn, there was a debate on Norwegian pension funds' investments in companies with activities in Burma. A number of interested parties were of the opinion that all companies with operations in Burma should be sold. In KLP, we exclude companies – not countries. KLP has therefore initiated a project to chart its investments involving operations in Burma, which will also be extended to cover a number of controversial countries. This project will help monitor investments and will allow KLP to identify the potential for a cooperation with other investors regarding possible execution of ownership rights. The project was implemented in the autumn of 2007, and dialogue has been established with some of the most important companies. However, the project has met with problems related to information access, particularly from Asian companies.



# From words to action

The action plan provides a tool by which to operationalise KLP’s social responsibility strategy. The group shall implement specific measures in order to comply with the main goal to contribute towards a sustainable social and environmental development. The following is a summary of the main items on the action plan for 2008.



Each business area is obliged to analyse how they should implement the social responsibility strategy, and must produce specific plans and targets for the near future. In combination with the development of general policies and guidelines, these measures are intended to contribute towards development within the areas of economy, environment and society.

Social responsibility is represented with a separate score card within KLP’s balanced score card system. The score card sets goals for all business areas, and describes how to measure the fulfilment of goals. The action plan forms the basis for the group’s social responsibility score card. Those initiatives thought to have the greatest strategic importance are singled out, and goal achievement is reported on a quarterly basis. For 2007, goal achievement was 80 %.

The table on the next page provides a summary of the most important targets for 2008, in addition to the date for goal achievement. The plans are ambitious, but the main target is to increase goal achievement in comparison with 2007. The action plan and the score card are the most important tools for realising KLP’s ambitions in terms of social responsibility. You need good strategies and plans to succeed, but it is only when words are put into action that we can change the world.

## Policy and guidelines

Subject	Initiative	Schedule
Social responsibility as a part of the KLP management system	Establish measurable and ambitious goals as a part of balanced score card	Q2 2008
	Implement ethical dilemma training throughout the group	Q3 2008
Reporting	Report the company’s environmental impact to the Carbon Disclosure Project	31 May 2008
	Take the next step towards Global Reporting Initiative – Generation 3 (GRI-G3)	Q4 2008

## Economy

Subject	Initiative	Schedule
Group purchasing	Develop a comprehensive purchasing policy, which includes social and environmental criteria	Q4 2007
Socially responsible investments	Implement evaluation of potential new exclusion criteria	2008

## Environment

Subject	Initiative	Schedule
In-house environmental strategy	Sign the Environmental Promise and appoint environmental supervisors	Q2 2008
	Pilot project Eco-Lighthouse certification for group	2nd half 2008
	Eco-Lighthouse certification of KLP Skadeforsikring	5/6-08
The environment in financial management	Chart environmental impact of investment portfolio	2008
Environment and IT	Renegotiate agreement regarding recycling of IT	Q3 2008
	Prepare plan of action for Green IT, with focus on energy consumption and requirements for purchasing/disposal of computers	Q4 2008
Property management	Reduce temperature corrected energy consumption by 2 %	2008
New main office	Ensure and document environmental aspect for choice of all designs	2010

## Society

Subject	Initiative	Schedule
Ownership and responsible investment	Further develop strategy for active ownership in companies in investment portfolio, including the projects: ■ Controversial countries ■ Sustainable added value ■ The Carbon Disclosure Project	2008
	Vote for all our ownership rights, within responsible boundaries	2008
	Report in accordance with the UN principles for responsible investment (PRI)	Q1 2008
Customers	Increase pension expertise for politicians in 100 municipalities	Continuous/Q4 2008
	Transfer expertise to customers regarding new social security and insurance legislation	
	Execute 50 projects for good working environment in cooperation with customers, and 334 HSE activities in relation to customers	2008
	Prepare guideline for systematic safety management for all municipal property managers	Completion spring 2008
	10-day course in systematic safety management for municipalities, in cooperation with partners	Autumn 2008
Colleagues	Report status for present goals for equal opportunities. Review goals and design of new plan of action to comply with these	2008
Sponsorship agreements and support	Develop specific guidelines for sponsorship and customer care	Q2 2008
	Carry out specific activities to support the yearly TV charity campaign, which will benefit, our partner, the Blue Cross, in 2008	Q3 2008

# GRI table

GRI Indicator	Description	GC principle *	Source	Page
1.1	Statement from CEO	Statement from the most senior decision-maker of the organisation	KLP and Society	4-5
1.2	Description of key impacts, risks and opportunities		Annual report	8-9

Organisational profile

2.1	Name of organisation		KLP and Society	31
2.2	Primary brands, products and /or services		Annual report	11-18
2.3	Operational structure of the organisation		KLP and Society, Annual report	31, 20-23
2.4	Location of organisation's headquarters		KLP and Society	2
2.6	Nature of ownership and legal form		Annual report	20-23
2.7	Markets served		Annual report	11-18, 26-27
2.8	Scale of the reporting organisation		KLP and Society, Annual report	20, 25, 31, 37-39

Report parameters

3.1 – 3.11	Report profile		KLP and Society	2
3.12	GRI table		KLP and Society	30
3.13	Assurance		KLP and Society	2

Governance, Commitments and Engagement

4.1-4.4	Governance		KLP and Society, Annual report	6-7, 31, 20-23
4.8	Statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance		KLP and Society	6-7, 20
4.9	Board discussion of social responsibility factors		KLP and Society	2, 20-27
4.11 – 4.13	Commitments to external initiatives		KLP and Society	6-7, 15, 20-27
4.17	Dialogue with interested parties		KLP and Society	25

Core indicators

Economy

EC1 – EC2	Economical key figures		KLP and Society, Annual report	20, 37-40
EC3 – EC4	Pension commitment and public support		Annual report	87, 37
EC8-EC9	Indirect economic impact		KLP and Society	20-27

Environment

EN1-EN2	Materials	Principle 8	KLP and Society	22-24
EN3-EN7	Energy	Principles 7-9	KLP and Society	22-24
EN16 – EN18	Emissions, effluents and waste	Principle 8	KLP and Society	23
EN26	Environmental measures	Principles 7-9	KLP and Society	22-24

Labour practices and decent work

LA1 – LA2	Employees		KLP and Society	25-27
LA4	Labour/management relations	Principle 3	KLP and Society	25-27
LA6- LA9	Occupational health and safety	Principle 2	KLP and Society	25-27
LA10- LA11	Training and education		KLP and Society	25-27
LA13	Diversity and equal opportunities	Principles 1, 6	KLP and Society	25-27

Human rights

HR1	Ethical investments	Principles 1-10	KLP and Society	10-11, 21, 27
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Society

SO3-SO4	Anti-corruption	Principle 10	KLP and Society	6, 11, 20
SO5	Public policy		KLP and Society	26-27

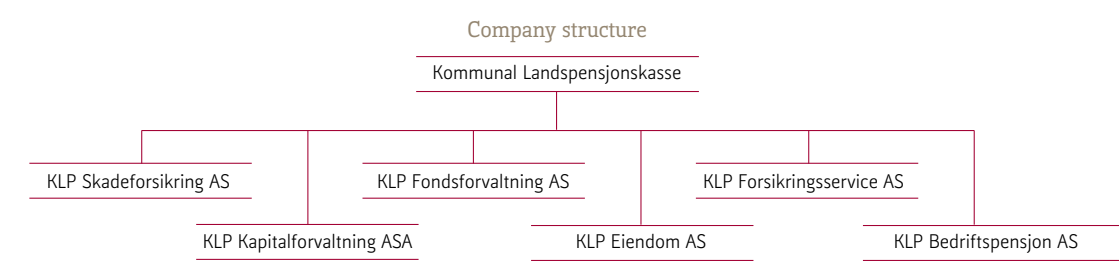
Product responsibility

PR3	Product labelling		KLP and Society	25
PR6	Marketing communications		KLP and Society	25
PR8	Customer privacy		KLP and Society	25

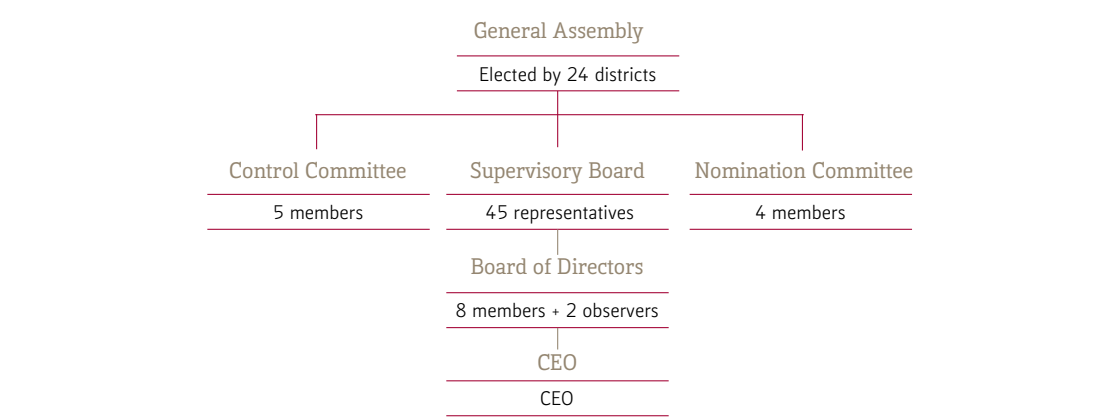
\* Global Compact principle

## Organisation and management

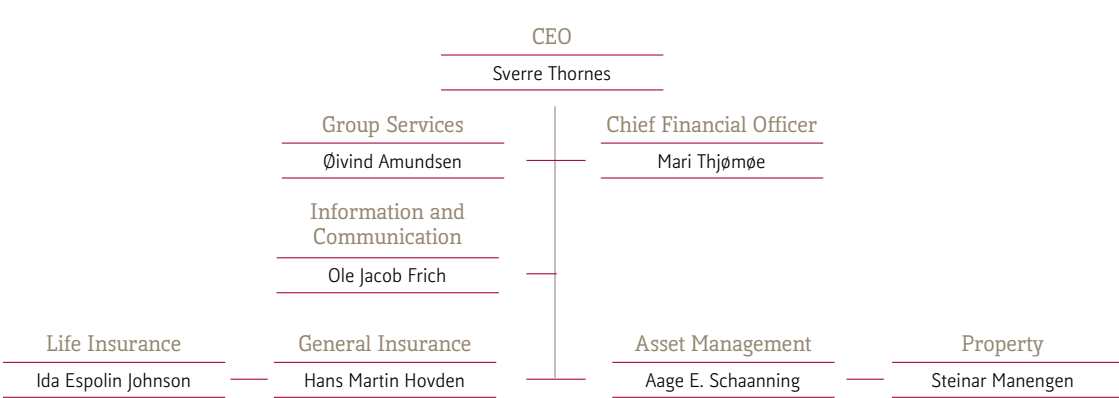
**1: Company structure**  
The parent company of the KLP group, Kommunal Landspensjonskasse, is a mutual insurance company, owned by the customers with public pension schemes in KLP. The parent company has six wholly-owned subsidiaries. The main offices for the parent company and all subsidiaries are located in Oslo. In addition, the parent company has one office in Bergen, and KLP Eiendom has offices in Trondheim and Copenhagen.



**2: Management model – Kommunal Landspensjonskasse**  
Election meetings are held in 24 districts, where all owners have voting rights, and the delegates for the General Assembly are elected. These in turn elect representatives to be appointed to the Supervisory Board and members of the Control Committee and Nomination Committee.



**3: Organisational structure**  
KLP has a business-oriented management structure which, in total, is responsible for the group's social responsibility. Operational responsibility for development of strategies and consultation for other units is allocated to the largest business area, Life Insurance. Operational responsibility for responsible investments is allocated to KLP Kapitalforvaltning ASA (capital asset management activity).





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