

The Story of the Future

Sustainability Report 2009

KIP



About the report

This is the fifth consecutive year KLP publishes a sustainability report. The previous report was launched in April 2009. The report is intended for our customers, owners and the employees in KLP, as well as other stakeholders with a particular interest in KLPs corporate responsibility.

The KLP Sustainability report for 2009 is divided in four parts. It opens with showing how corporate responsibility is deeply rooted in the company's culture and management practice, and then continues with giving attention to some of the major projects that were undertaken in 2009. Then the actual report data is presented by describing indicators associated with products and customers, the environment, society and KLP as a workplace. Finally, the KLP action plan for corporate responsibility in 2010 is presented.

The report aims to encompass data from the whole KLP Group, and the sections dealing with KLP's customer and products do predominantly comply with this ambition. Regarding indicators related to the environment and the society, the scope is broadened year by year, and even the organizational boundaries are extended. The KLP Eiendom's offices in Stockholm and Copenhagen are, however, not included, nor the newly established KLP Banken. Where data is otherwise limited, it is indicated in the text. Whenever possible, the historical data has been recalculated to provide comparability over time. The information in the report refers to the period 01.01.2009 – 31.12.2009.

The data collection has been based on the methodology of the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and the Financial Service Sector Supplement (FSSS) Final version 2008. The report is also KLP's Communication on Progress (COP) to the UN Global Compact. When considering materiality of the indicators, thoughts have been given to what best illuminate the business areas of the Group and what we assume will be of most interest to our stakeholders. A GRI table is presented at the end of the report. Updated information will also be available at [www.klp.no/English/Corporate Responsibility](http://www.klp.no/English/Corporate%20Responsibility). Both report quality and report content are continuously being elaborated. The report has not undergone external revision, but a self assessment considers the report being according to GRI Application level B. There is still room for improvement – both regarding data quality and the aim to include the whole Group within the report's boundaries – but considerable improvements have been made since the previous report.

The actual report part and the action plan have been submitted to the Board of Directors of Kommunal Pensjonskasse (KLP). The report is published by the KLP Management Group.

EC = Economical Indicators
EN= Environmental indicators
PR = Product Responsibility indicators
LA = Labour Practices and Decent Work indicators
HR = Human Rights indicators
SO = Society related Indicators
FS = Financial Service Sector indicators

GRI indicators described in this section:
2.2, 2.7 -2.10, 4.1 – 4.4, 4.14 – 4.17, FS6 -8, EC – MA*,
EC1, EC8-9, PR-MA*, PR1-9

*MA = Management Approach



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This is the story about our effort to
create a sustainable future. For KLP,
for you, and for all future generations.



Corporate Responsibility in practice

KLP's owners and customers are committed to contributing to a sustainable development of our society. It is expected that also KLP takes this seriously. We in KLP see this as an inspiring challenge.

2009 was a good year for KLP. The accounts show a profit of NOK 9.8 billion – a result that allows for both a significant return to our customers' premium fund and a substantial strengthening of our solvency. We started the year with the financial crisis as a gloomy backdrop, but with exciting projects in progress.

In recent years KLP has invested heavily in developing advantageous services and offerings for our owners' employees, thereby strengthening the former as attractive employers. KLP Banken was established in 2009, but first opened for personal customers on 1 February 2010, as a user-friendly online bank without charges. Employees in municipalities, county authorities, health enterprises and organisations with public sector occupational pensions with KLP, should find that KLP Banken is particularly advantageous for them. The bank started up with very good deposit interest rates for those having their pension scheme with KLP.

Our customers were affected by the financial crisis in many areas. One challenge was the credit crunch, which both reduced access to capital and made it more expensive for the local authorities to borrow. As early as 2008

KLP increased its lending to local authorities by NOK 5 billion to ease the situation. But we wanted to make a stronger contribution to ensuring access to reasonable loans for this sector. That was the background for us buying Kommunekreditt Norge AS in the summer of 2009. For many years Kommunekreditt had done a great deal towards securing the best borrowing terms and conditions for local authorities, but was because of the finance crisis unable to fulfil this role. As owner, KLP will do all it can to revitalise KLP Kommunekreditt so that we can help our owners and customers obtain the best borrowing terms and conditions in the future as well.

External impact

For a number of years, KLP's owners have focused on solvency and a long-term approach regarding the group's asset management. And it was the strong solvency and good risk management that enabled KLP to stand firm through the financial crisis, and participate in the upswing when the equity markets finally turned. KLP's customers and owners are not indifferent to how we create value. KLP is a long-term investor and owner that actively uses its power to influence. Since 2002 KLP has had a responsible investment strategy. The best known aspect is probably what is

known as the KLP List, the list of companies in which we do not invest. But the exclusion of a company should always be the last resort.

KLP has signed the UN's principles for responsible investment. The company is one of the leading investors when it comes to implementing the principles the initiative is about, and the Group is working actively to promote these principles and their objectives. One of the opportunities we have is to exercise active ownership. By voting at general meetings and establishing dialogue with companies we can contribute to change and development – benefiting our owners, customers and society as a whole.

KLP has an impact on its environment, not just in a purely business-related sense. Over the last 15 years we have helped employers by conducting health, environment and safety (HSE) activities. The aim is good working conditions that can help to reduce sickness absence, disability and early retirement. Similarly, measures to reduce risk of damage to buildings and other property are an important part of KLP Skadeforsikring's activities. By adopting the precautionary principle we aim to help to reduce the burden on local authorities, organisations and individuals affected by accidents or unfitness to work.



The requirement for a responsible attitude, with a perspective stretching beyond short-term gains, stands rock solid.



The Work Environment Prize, which we award annually to the best local authority, best health enterprise and best company, is a special encouragement to those making an extraordinary effort. We congratulate Nesset Municipality in Møre og Romsdal, Vestfold Hospital Trust Pathology Department and Nøtteliten Kindergarten in Søfteland, Os Municipality in Hordaland, on their prizes for 2009!

In election year 2009 KLP gained a new opportunity to encourage strong commitment in the municipalities. Ahead of the parliamentary elections we were contacted by Høylandet Municipality who told us about their initiative "the Democracy Championship". They wanted to work for increased community engagement among young people and, through combining this with local measures to create broad commitment, this aimed to result in increased election participation. The municipality achieving the best election participation would be winner of the Democracy Championship. We thought this was a good initiative and were happy to become sponsor and provide the first prize amounting to NOK 100,000. It was Norway's smallest municipality, Utsira, which carried off the victory!

Responsibility begins at home

We also set high standards for ourselves as an employer, and aim to integrate corporate responsibility into our daily activities. Our ethical guidelines were revised during 2009 and ethics has been on the agenda in all business areas. In 2010 an interactive dilemma training programme, based on inputs from working groups of employees, is being launched. The 10 principles of the Global Compact are again confirmed as a key KLP values foundation and will be a source of inspiration for further work on exercising ownership, developing a new procurement policy and internal environmental work.

An important milestone in 2009 was the environmental accreditation of the parent company and six subsidiaries. KLP Skadeforsikring had already received its "Eco-Beacon" certification in 2008. In June 2009 the next six KLP companies received their certificates. The accreditation was preceded by a process involving employees from throughout the Group, creating a new spirit for environmental effort at KLP. In December KLP Eiendom also received its ISO 14001 certification and we are delighted about the company's exciting plans to build future-oriented eco-friendly buildings. Some plans have already been

realised – in March 2010 KLP Eiendom Trondheim received the award, Årets Bygg (Building of the Year) 2009 for "Miljøbygget" ("The Green Building") in Teknobyen in Trondheim! KLP Banken and KLP Kommunekreditt will be environmentally accredited as soon as they enter into ordinary operation.

2009 was also the year when KLP could celebrate its 60th anniversary! We have been a solid partner for our customers from the beginning – and today we manage pension funds for over 550,000 existing and future pensioners. It is not a task we take lightly. In the future we shall continue to build our business around our customers' wishes and needs. Things are going well at KLP. But at a time when much is succeeding and many exciting business opportunities are opening, the requirement for a responsible attitude, with a perspective stretching beyond short-term gains, stands rock solid. In the future, corporate responsibility in relation to all our stakeholders will continue to be treated as an integrated part of KLP's operations!


Group CEO
Sverre Thornes

Governance and management approach



Management systems

KLP operates on business principles where growth and profitability are overarching objectives. The Group's market and financial targets are managed through a balanced scorecard. In 2009 all business areas had Corporate Responsibility as an element of their overall scorecard. In addition, each year a Corporate Responsibility action plan is set up and is monitored by the Vice President, Corporate Responsibility. KLP also has a number of policies and guidelines that are monitored by specialist units. In regard to the environment, environmental management systems are utilised – ISO 14001 (KLP Eiendom) and Miljøfyrtårn ("Eco-Beacon" – other parts of the Group).

The Corporate Responsibility area is regularly audited by KLP's internal audit. There has not been an audit during 2009.



Governance

The Executive Vice President Group Services has the overall professional responsibility for Corporate Responsibility. Operational responsibility is delegated to the Vice President, Corporate Responsibility, (previously Adviser, Ethics and Social Responsibility) who reports directly to the Executive Vice President. All managers must undergo a mandatory program in values-based management, as well as a HSE course.



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 Corporate Responsibility and responsible investments on these principles.



Ethical guidelines

The ethical guidelines are intended to encourage employees and, where suitable, members of boards and controlling bodies when exercising their rights and duties on behalf of KLP, to conduct themselves in an ethically responsible manner in their daily work. The guidelines comprise KLP's business conduct, KLP employees' personal conduct and routines for whistle blowing. The guidelines were subject to a comprehensive audit in 2008 and were adopted in the spring 2009.

- 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



Vision:

The Best partner for the days to come

Values:

Open, Clear, Responsible and Committed

Principal goal:

Create values for the company's customers and owners in a financially sound and socially and environmentally responsible manner.

Overall target for CR:

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

**Corporate Responsibility strategy**

Group Management has adopted a Corporate Responsibility strategy which, together with the Group's values and ethical guidelines, substantiates the company's business targets and strategies.

The Corporate Responsibility strategy has its foundation in Global Compact, and the last audit was carried out in 2008. The Corporate Responsibility strategy lays down the framework within which the company is to work, in terms of ethics, the environment, responsible investments and general Corporate Responsibility.

**Environmental policy**

KLP's environmental policy was revised in spring 2009. Responsibility for the external environment and climate is to be a natural part of KLP's activities and to be integrated into daily operations. Through an active environmental policy the Company will contribute to reducing its effect on the environment and climate, and strive to promote new behavioural patterns, products, services and technical solutions that may reduce the environmental burden and CO₂ emissions in general.

**Policies 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 main tools can be utilised:

- a) Exclusion of companies in breach of internationally accepted norms
- b) Active ownership
- c) Investments in socially responsible businesses
- d) Guidelines for non-financial investments

The above tools must be specified for each asset class. Reports shall be submitted on an annual basis, which describe how the mandate has been implemented and monitored within the individual investment groups.

**The UN's principles for responsible investments (UN's PRI)**

In 2007 KLP signed the UN's Principles for Responsible Investment. By signing the organisation commits to a "comply or explain" principle. The principles describes how to be a responsible owner and investor by integrating environmental, social and corporate governance (ESG) questions in asset management. There are 6 principles in all, which, in brief, encompass the following:

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.

Good stories



As an owner in many listed companies KLP uses its voting rights proactively.



How can the local government officer know when a child needs free school transport?



Nøtteliten Kindergarten reduced sickness absence dramatically and won KLP's work environment prize.



At the VG building they wasted heat until KLP took a grip.

64 percent of the adult Norwegian population thinks corporate responsibility within the bank and financial service sector is important.



A clear voice

By voting you take part in the decision-making. In the financial world as well. This is why KLP uses its voting rights at the general meetings of companies in which it invests.

Using their voting right at the general meeting is one of the most important ways for shareholders to influence a company. During 2009 KLP and the KLP funds intensified their voting activity in Norway. "We have been active previously as well, but not so systematically. We use The Norwegian Code of Practice for Corporate Governance as the basis for how we vote. In addition it has also been necessary to set some limits of our own," says Jeanett Bergan, who is the manager for responsible investment at KLP Asset Management.

During 2009 KLP and the KLP funds voted at 123 general meetings in Norway and 1558 internationally. This corresponds to about 95 per cent of meetings with voting rights in Norway, and about 70 per cent of general meetings abroad. In many cases they had to put their foot down when it came to the board's report on

remuneration of senior employees. In a full 60 per cent of the cases concerning remuneration, KLP and the KLP funds voted against the board's recommendation. "Here we follow the guidelines saying that incentive plans for senior employees should be linked to value creation over time, be performance-related and based on measurable factors that the employee can influence. If the remuneration plan contravenes these guidelines, we vote against," explains Bergan.

She adds that KLP always will vote for a company to be conscious of its corporate responsibility, whether in regard to human rights, environmental protection or other areas. "Normally it is shareholders who come up with proposals for such items to be on the agenda at the general meeting. Last year KLP and the KLP funds voted for 94 per cent of the proposals put forward to improve human rights,

or requiring publication of reports concerning these matters," says Bergan. Information on voting on different issues, and the justification in cases where KLP and the KLP funds voted against the recommendations of the board of directors, are published continuously at www.klp.no.

"KLP is a long-term investor. For us there is no advantage in companies' short-term profits if they undermine more long-term value creation," Bergan makes clear, and adds that running a company in a responsible way is also an effective strategy for reducing risk. "Our most important task is to secure future benefits for more than one and a half million Norwegians with pension rights in the Company. This is best done through long-term value creation and by ensuring responsible business behaviour," Jeanett Bergan emphasises.

VPS*
THINKS

*VPS – The Norwegian Central Securities Depository

Wake-up call for owners

Today only about 50 per cent of shareholders vote at general meetings in Norwegian companies. With electronic proxy voting the picture may change dramatically.

"The introduction of electronic proxy voting strengthens shareholder democracy by giving all shareholders equal opportunities to vote. In fact we are now witnessing something of a revolu-

tion in the stock market," says Aleksander Nervik, marketing and customer services manager for VPS. "Now it will be as easy to vote at a general meeting as to pay bills through your online bank!"

Nervik reckons that initially between five and ten per cent of shareholders will make use of the new system, which has been developed by VPS in cooperation with others, including KLP. In the longer term he hopes that almost 100 per cent will recognise their rights and use the opportunity.

The weaknesses of traditional proxy voting have at times been great. It is not unusual for

the relevant papers to arrive late or for them to be deficient. Having to send the papers back by post or fax with signed voting mandates is inconvenient even for professional investors. This is probably part of the reason why relatively few shareholders vote at general meetings. In certain companies there is a requirement to be present in person at the general meeting if one disagrees with the proposals of the board of directors'.

For KLP, who wants to be an active owner, the facility to cast advance votes electronically means that the continuous hunt for general meeting documents, mandates and signatures is finally over.

Have you or your organisation implemented, or planned and initiated, a good traffic safety project? We reward good ideas that can demonstrate results. Join in the competition for NOK 50,000!



Extremely dangerous – or just dangerous?

Yes, that is the question. And the answer is vital for those it affects. Because if the school route is extremely dangerous or hard to traverse, the child is entitled to free school transport. On the other hand, if it is only dangerous ...

"School children who have an extremely dangerous or tough school route are entitled to free transport regardless of the distance by road" it states in the Norwegian Education Act. The problem is just that nobody can provide an answer to what is an "extremely dangerous" or "tough" route to school. The question is left to local government officers or head teachers, who have to make judgements without any measurable criteria upon which to rely.

"Many of the country's school routes are simply not suitable for school children walking or going by bicycles. Parents who think the school route is too dangerous for their children may apply for free transport. The application must be justified, and the officer in charge must agree that the route is particularly dangerous or difficult to traverse if they are to grant school trans-

port. But this is a matter both of the technical condition of roads and the maturity of the child, and many public officers feel that they do not have adequate expertise in the area," says Anne Marit Jordheim in Trygg Trafikk – The Norwegian Council for Road Safety. She believes officers dealing with these issues are often in a dilemma between the parents' wishes and claims and the need to spend the municipality's money wisely.

This is why Trygg Trafikk, in cooperation with KLP, has produced a guide intended to help both parents and municipal public officers. Parents receive practical advice on what should be included in an application, and likewise the municipalities receive information about what ought to be taken into consideration when they deal with such cases. Practical factors such as traffic density, road width, crossings, bends,

lighting, speed restrictions and obstructions to view are discussed. What skills are required for a child to walk alone there? Is it reasonable that a child aged six, nine or 12 has these skills? In particular the child's age plays a vital role. There are major differences in what one can expect of a six-year-old and a teenager in traffic.

"The guide can never be a rigid formula since it is impossible to take into account all the factors that may play a role along a road, and the municipalities will always have to make a discretionary judgement. But it will give some practical advice and a better understanding of what factors make the road dangerous," Jordheim points out. The guide has been sent to every school in the country, including FAU (parent working committees), and all local authorities. It is also available at www.klp.no.

KLP
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KLP's Traffic Safety Prize

There should be a reward for determined work aiming to solve the local authorities' challenges with regard to traffic safety. That is why KLP sets up a Traffic Safety Prize.

"KLP wants to stimulate road safety work at the local authorities. We want to show that we value preventive work and therefore think it

was appropriate to establish a safety prize," says Thomas Nilsen, who is a consultant with KLP Skadeforsikring AS.

The Traffic Safety Prize is being awarded for the first time this year. The verdict falls on the 7th of June. The best project resulting in actual measures or has contributing to increased security and safety on the road, will then receive an award of NOK 50,000. Nilsen is hoping for a lot of applications both from municipalities and county authorities, and from individual organisations such as schools and kindergartens. The applications will be assessed by a group comprising representatives from KLP and

Trygg Trafikk – The Norwegian Council for Road Safety. "Initiative and creativity will give good marks on the scoreboard. And you don't have to be a KLP customer to apply," he points out.

The partnership with Trygg Trafikk is right in line with KLP's core values. "We want to be the best partner for the days to come. That is our vision. And we are going to live up to it. Cooperation with organisations like the Norwegian Fire Protection Association, DSB (the Norwegian Directorate for Civil Protection and Emergency Planning) and Trygg Trafikk are examples of measures that help to increase safety and to facilitate the work in and around the municipalities," concludes Nilsen.



Your organisation could
be the prize-winner!
KLP is rewarding the
best HSE measures every
year with a special work
environment prize.

Closing date for
applications:
1 November 2010

A heavenly place on earth

Nøtteliten Kindergarten managed to reduce sickness absence from a sky-high 27 per cent to only 4 per cent. For this they received KLP's work environment prize. But the biggest gain is a better everyday life for 25 members of staff and 70 children.

The motto of Nøtteliten Kindergarten in Os Municipality is itself wonderful and demonstrates high ambitions: "A heavenly place on Earth – for young and old". But two years ago all working days were not so good. "It is a desperate situation when there is a shortage of staff. Small children need predictability and security. When absence peaked, the extensive use of substitute teachers meant that the children had to cope with a lot of different people. For those who were still at work, the working day was demanding. We reached a point where we had to do something," relates Ingvild Chyba, human resource developer.

The turning point came in 2008. It was then the kindergarten became an Inclusive Work-place organisation and they contacted NAV (the Norwegian Employment and Welfare Service) for help. "But we had long faces when we

were told that there was no standard formula. We had to find our own way. Nevertheless NAV would help us in the process, and that they have done. In hindsight we now see this was the only way forward."

The Kindergarten established a special working group that prepared an action plan. When all the physical challenges were put down on paper, they realised that the majority were possible to solve by very simple means. Chairs that gave a better working posture were introduced, a ramp for dressing the children gave relief to the staff's backs, and the health and safety representative was given a course in ergonomics.

Then the psychological work environment was put under the microscope. "We set high standards for ourselves and often felt that we did not manage to fulfil our own quality require-

ments. The result was stress. But what was actually expected of us? We asked the parents and the feedback they gave meant we could relax a little. Now we have established good procedures to prevent and reduce sickness absence and look after our staff. But striving to achieve a good work environment is a continuous process," concludes Chyba.

The Head, Wenche L. Aabakken emphasises that people must be allowed to be sick. "But a great deal can be done and a lot can be prevented. That is why we focus on the balance between prevention and accepting sickness absence," she points out. They both see Nøtteliten Kindergarten's winning of KLP's work environment prize 2009 as a confirmation of that what they have done has been right. "But first and foremost it is an enormous inspiration for further work," concludes Chyba.

KLP
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Profitable HSE work

It should pay to think creatively in terms of health, safety and environment work. Therefore each year KLP rewards the best projects and initiatives.

Every year KLP awards three work environment prizes: one for the municipalities and county authorities, one for the health enter-

prises and one for companies. In 2009 the prizes were awarded for the ninth time and went to Nasset municipality, the Pathology Department of the Vestfold Hospital Trust and Nøtteliten Kindergarten in Os municipality. The prize amounts are set at NOK 100,000 for each category. "Over the last 15 years KLP has helped employers by conducting health, safety and environment (HSE) activities. A proactive HSE effort pays off on all fronts: sickness absence, occupational injury, accidents, disability and general well-being. The employee, the employer and KLP all gain from it," says Vibeke Os Bratlie, Head of Department for KLP's customer-oriented HSE work. The insurance

company offers advice, courses and financial support to selected projects. "During 2009 financial support was given to 49 customer-run HSE projects, and KLP had 251 HSE activities directed towards customers, where the aim was to develop a health promoting and inclusive work environment," says Os Bratlie. In particular she mentions the courses in life phase policy and work environment development using the "SOFA" – solutions focused approach, which has received very good feedback. "With this approach we work directly with the individual department and workplace. Perhaps this explains some of the success" she points out.

By establishing common projects, KLP Eiendom aims to reduce the environmental burden produced by tenants and other collaborators.



Energy monitoring produces results!

Where does the energy go? At the VG building they discovered that they were wasting heat- probably to the delight of the energy company and perhaps the crows on the roof! Now energy usage is monitored closely and the costs are coming down.

KLP owns and is responsible for running the VG* building. A couple of years ago real efforts started to reduce the energy consumption in the building. For example, automatic lighting control was put into operation, and to reduce heat loss in winter, the external sun screening is used at night as well. And at all times the technical systems are monitored closely to ensure that they are working as they should.

The VG building was built in 1994 and it is the workplace for about 1200 people. The last couple of years the energy consumption has steadily decreased, from 7,711,000 kWh in 2007 to 7,058,000 kWh in 2009. Corrected for warm and cold winters in individual years, the saving from 2007 to 2009 was 850.000 kWh, a figure corresponding to about NOK 700,000 per year.

"The energy reduction is first and foremost due to reduced operating times for the cooling and ventilation system. In addition we also see some reduction linked to lighting management in the garage and the goods reception," says VG's Head of Administration, Bjørn Brogård. He points out however, that the changeover has not been totally painless and that certain measures cannot be uniformly applied, as they are not appropriate for everyone. In a newspaper there is always somebody working outside normal working hours. For them it is not always ideal if the ventilation system is run down from 16:00 pm. It may also seem a nuisance to have to override the automatic controls if you do not want the blinds to be down in front of your window in the evening.

As owner and operator of the building, KLP has realised the importance of good information to those working in the building before changes are made. It is also essential to provide information about the results of the individual measures, both environmentally and financially, so that the users relate to and feel ownership of the measures being introduced.

In addition to energy saving, KLP's operating managers have invested in better waste handling at the VG building. In total, waste is sorted into 11 different fractions in the building, of which cardboard/paper, glass, metals, plastic, electronics waste and food waste are the most common.

* VG is one of the two largest newspaper in Norway

KLP
THINKS

Big properties – big responsibility

1.3 million m². That is the total floor space of all KLP's properties. And every individual building is to be operated responsibly with regard to both financial and environmental considerations. These two concerns go however, hand-in-hand, according to the Head of Quality and Environment at KLP Eiendom, Knut Helge Sandli. "We believe it is important from an environmental

point of view and based on our position in the property market that we show that we take responsibility with regard to the environment as well. This is why KLP Eiendom has chosen the ISO 14001 standard as our environmental management system. The standard emphasises a continual process with a view to improving our environmental performance," relates Sandli.

About a year ago KLP Eiendom charted the operation of their buildings based on what sort of impact they have on the external environment. Before summer an environmental action plan was prepared with concrete targets and subordinate targets for those areas needing attention:

consumption of paper, water and energy, and waste sorting.

"Energy use is the most significant both financially and environmentally, and this is where we will make the largest savings," confirms Sandli. Many small measures produce big results. Small adjustments in the ventilation system can produce major impact on the energy meter. Stopping running cisterns and dripping taps reduces water usage significantly. Raising the awareness of tenants and cleaning personnel to utilise waste sorting reduces the quantity of waste. Good for KLP. And good for the environment.

Report





KLP's customers and products

KLP is a major financial operator in Norway and has an economic impact on both public and commercial enterprises and private households. Understanding its stakeholders and conducting business in a responsible way are important aspects of KLP's corporate responsibility.

Owners = Customers

KLP is a mutual company where the pension customers are also the owners. State health enterprises own 32,2 per cent of KLP, the municipal and county authorities sector owns 53,7 per cent and the corporate segment has a holding of 14,1 per cent. At the General Meeting the owners elect 24 representatives to KLP's Supervisory Board. Six representatives are nominated by the major labour unions proportionate to the numbers of their members with pension rights in KLP. 15 representatives are elected from and by KLP's employees.

The 24 General Meeting elected members on the Supervisory Board elect five members of the KLP Board of Directors. One member of the Board of Directors is nominated by the labour union or negotiating alliance with most members with pension entitlements in KLP, whilst the two labour unions with the next largest membership each nominate an observer. Two members of the Board of Directors are elected from and by the KLP staff. The General Meeting approves the annual financial statement and the allocation of profits.

2009 was a very good year for KLP. The operating profit was NOK 9.8 billion and the financial statement shows a return to the

pension customers of NOK 9.0 billion. Of this, NOK 2.4 billion is proposed allocated to the customer's premium fund and NOK 4.2 billion to supplementary reserves. The remaining NOK 2.4 billion will be added to the KLP securities adjustment fund. Total assets of the KLP Group increased by NOK 53.3 billion in 2009, amounting in total to NOK 259 billion. The strong growth in the Group's total assets results from the acquisition of Kommunekreditt Norge during the second quarter, as well as the upward adjustment of the customers' pension fund in line with the development in their contractual entitlements. In total KLP achieved a book return on customer's assets of 6,4 per cent and a value-adjusted return of 7,7 per cent.

Responsible services and products

KLP's core business is providing insurance and pension products to its public sector owners. The Company has recently also started a bank, is investing in non-life insurance products for the personal market and is running a property company with shopping centres, housing, hotels and other commercial properties in its portfolio. Through its business, KLP has an impact on public sector budgets, commercial

activities and private financial affairs throughout the country.

Pension

Each month KLP pays out pensions to about 150,000 Norwegians, while the Company, on behalf of public sector employers, is making the future more secure for more than 400,000 still in employment. KLP's main product – Public Sector Occupational Pensions – is a substantial employee benefit for employees in local government, health enterprises and companies. It helps to make the public sector an attractive workplace. KLP works continuously to ensure the pension scheme is handled as cost effectively and profitably as possible for its customers/owners.

Quality and processing times are very important for the members of the pension schemes and are significant for the pension scheme finances. As large sums are paid out in pensions from KLP every single month, quality and control will always have high priority. The processing of applications for retirement and survivor pensions is very satisfactory. In order to process disability pension KLP is very dependent on information from others, such as for example NAV (the Norwegian Labour

Facts about the pension products

The pension products as of 31.12.2009	Public Sector Occupational Pensions		Defined Benefit Pensions		Defined Contribution Pensions	
	2008	2009	2008	2009	2008	2009
Market share	60 %	.62 %	N/A		N/A	
Premium income (NOK)	18.4 b	18.9 b	18.4 m	18 m	5 m	7.1 m
Disbursement of pensions and other claims (NOK)	7.3 b	7.8 b	7.2 m	6.7 m	12,400	20,700
Number of agreements	2863	3000	44	58	106	113
Number of pensioners	Ca 145,00(0)	149,628	N/A*	193		13
Number of active members	Ca 300,000	304,651	N/A*		N/A*	649
Number of previous employees with entitlements	N/A*	115,615	N/A*	386	N/A*	

N/A* = exact figures not available for 2008

GRI indicators described in this chapter: 2.2, 2.7, 2.8, 2.9, 2.10, 4.1-4.4, 4.14 – 4.17, FS6– 8, EC-RLT*, EC 1, EC8-9, PR-RLT*, PR1-9

*RLT = Reporting on management approach in regard to economic aspects and product responsibility

Facts about KLP (non-life insurance)

Customers per markets	2008	2009	% change
Institutional customers	2475	2814	14 %
Personal customers	1279	4482	250 %

Premium and claim payments non-life insurance

Non-life insurance type	Personal injury		Property damage		Third-party liability	
	2008	2009	2008	2009	2008	2009
Premium income (MNOK)	149.8	147.2	326.8	371.3	44.5	45.2
Claim payments MNOK*	138.6	138.7	285.4	370.6	27.7	25.3

*Total payments for several previous claim years

Facts about other financial services

Financial products	For KLP (in NOK billions)		External customers (in NOK billions)	
	2008	2009	2008	2009
Discretionary asset management	119*	129		
Fund saving	20*	26	8*	11
Lending employers			13	52.5
Lending personal			8.1	8.7
Deposits				0

*The figures are adjusted in relation to the Sustainability Report 2008

and Welfare Organisation). This can have a delaying effect, but the average processing time is nevertheless reasonably good. In surveys carried out each year the vast majority of pensioners respond that they are satisfied, some very satisfied, with how KLP handles their enquiries.

Non-life Insurance

In 2009 KLP Skadeforsikring delivered its best result ever. The company has almost 40 per cent market share in the local government sector. In 2009 the company also won its first health enterprise and succeeded with its investment in the personal market, where there is a good and steady influx of customers. In the public sector the non-life company offers

occupational injury and accident insurance policies for employees determined by tariff negotiations, as well as insurance for publicly owned buildings, vehicles and third-party liability. For private customers offerings include various types of motor vehicle insurance, house and contents insurance, travel insurance, boat and valuables insurance, accident insurance as well as dog, cat and horse insurance.

Banking and credit

In January 2009 KLP received permission to start banking and in June the same year KLP acquired Kommunekreditt Norge AS. The official opening of the KLP Banken was on

1 February 2010, but the bank was already in operation in 2009, as KLP's lending business and the former Kommune-kreditt's business was transferred in the autumn. In January 2009 KLP received the prize as Norwegian Champion Lender in the "housing loan 80%" class for 2008 from the magazine Dine Penger.

Asset management and fund management

The primary purpose of KLP Kapitalforvaltning is to manage the pension funds. At the end of 2009 approximately NOK 167 billion was invested in equities, bonds and money market instruments (about 65 per cent of KLP's total assets). For 2009, KLP's index portfolios pro-

KLP's customers and products

Facts about KLP Eiendom (Property Management)

Total rental income KLP Eiendom by sector (NOK thousands)	2009	2008	2009 % change
Office	791907	789929	0,25 %
Shopping centres, shops	156683	149434	4,85 %
Educational buildings	73903	71018	4,06 %
Residential	46904	44018	6,56 %
Hotels	216991	175886	23,37 %
Parking, storage, sites and other	152553	76715	98,86 %
TOTAL rental income	1438940	1307000	10,09 %

Other GRI indicators linked to economic influence

GRI Indicator	Description	Result
EC4	Financial support received from authorities	Support = NOK 0

vided a return of as much as 32,5 per cent. In actively managed funds, KLP Kapitalforvaltning has provided a return in excess of index of NOK 800 million.

KLP Fondsforvaltning, providing fund management services to the public, is experiencing strongly increasing interest both from private individuals and institutional investors. KLP Fondsforvaltning now manages NOK 11 billion from these customer groups. Net sales for KLP's mutual securities funds from external customers amounted to NOK 2,2 billion in 2009.

The fund portfolios is managed in accordance with clear mandates that provide very low costs – something that has helped the fund KLP Aksje Norge to achieve top marks in the Dine Penger's funds ranking.

All financial management in KLP is subject to the same overall ethical guidelines, which are based on Global Compact's 10 principles. For the equity and interest-bearing portfolios this means that certain companies that can be associated with systematic or serious breaches of the principles may be excluded from the portfolios. The strategy for responsible investment is described in more detail in the chapter *KLP and society*. The exclusion strategy means the portfolios' risk profiles are changed even

though the effects of an exclusion as far as possible is compensated by increasing holdings in other companies within the same industry group. To try to measure the financial effect of the exclusion, the returns of KLP's World Index (global index) before and after the exclusions are compared. In 2009 there was a positive deviation of 1 per cent on an annual basis. As at 31.12.2009, 40 companies were excluded from KLP's reference index. These are described in more detail in the chapter *KLP and society*.

Property

KLP Eiendom is one of the country's largest property managers, with more than 1,300,000 m² divided between office/commercial premises, shopping centres, hotels, housing and leasehold sites. The majority of the properties are located centrally in Oslo and can offer high quality building standards, effective exploitation of space and a pleasant atmosphere. KLP Eiendom also has operations in Trondheim, Copenhagen and Stockholm.

HSE – profitable for everyone

Pension premiums represent a large individual item on the municipal budget and are primarily affected by the level of salaries, the degree

of disability, retirement age and the number of the customer's employees. By helping customers in their efforts to reduce sickness absence and disability pension, KLP can help improve municipal finances in the long term as well as provide benefit for the individual employee.

Over the last 15 years KLP has helped employers by conducting health, safety and environment (HSE) activities. KLP offers its customers advice, courses and financial support to selected projects. The KLP life insurance company has a special team of five experts who have the primary responsibility of supporting our customers in their HSE activities. The HSE team participates in project groups and steering groups, conducts seminars and courses and runs a general working environment consultancy for KLP's customers. During 2009 KLP gave financial support to 49 customer-run HSE projects. During the year KLP has carried out 251 HSE activities directed at customers with targeted to help developing a health-promoting and inclusive work environment. The aim is good working conditions that can reduce sickness absence, disability and early retirement. A joint effort in this area ensures a safe and profitable pension investment community.

Other GRI indicators for Product Responsibility

GRI indicator	Description	Result
PR1	Life-cycle phases where KLP's products and services can influence health and safety and where HSE ought to be evaluated for further improvements.	The production and operating phase for KLP Eiendom's projects: Safeguarded through the HSE work based on working environment legislation. Technical Department identified as a separate safety area in 2009.
PR3	Type of information requirements associated with products/services, as well as proportion of products/services where this is required.	Insurance contracts and terms and conditions are sent out to the customers. For Public Sector Occupational Pensions the Basic Collective Agreement for the Civil Service applies. On termination of contracts a de-registration letter is sent. This has been examined by internal audit during 2009 and improvements have been implemented.
PR7	Number of breaches of regulations and voluntary guidelines associated with marketing.	Total breaches = 0
PR8	Number of complaints upheld concerning breach of customer security and loss of customer data.	Fines = NOK 0
PR9	Monetary value of fines for breaches of statutes and regulations associated with the sale and use of products and services.	Number of complaints = 0

On KLP's website, www.klp.no/hmstorget, a special project database can be found. KLP wants to display good HSE measures undertaken by customers that may inspire and be useful to others.

KLP also awards an annual work environment prize for the three different categories local authority, health enterprise and the corporate segment. Each winner is awarded NOK 100,000. The winners of the work environment prize in 2009 were Nesset Municipality in Møre og Romsdal for the project "To change an entire corporate culture". The municipality has worked on changing its corporate culture and has very positive results concerning attitudes amongst employees, and sickness absence. The Vestfold Hospital Trust Pathology Department won the health enterprise prize with the project "Mange bekker små gjør en stor ål", meaning "Every little bit helps." The Department has focused on creating a common identity and team spirit. In addition to physical adoptions, they have achieved increased productivity and maintained a very low sickness absence of 2.5 per cent. The corporate prize was won by Nøtteliten Kindergarten in Os outside Bergen, with the project "Nøtteliten på nærværstoppen" (Nøtteliten at

peak attendance). Through long-term systematic efforts they have achieved a low sickness absence of about 4 per cent and a very good reputation.

Even within non-life insurance KLP is working actively on HSE with regard to its customers. Through offering municipalities the right insurance cover with good advice, the burden on the economy, society and those affected can be noticeably lighter. For 2009 KLP Skadeforsikring AS had an overall goal of creating greater risk understanding amongst its customers in order to get the individual risk down to an acceptable level. Together with its customers, KLP Skadeforsikring works systematically on reducing the number of undesirable events and their consequences. The customers must be capable of foreseeing what creates risk. At the same time, if they do suffer untoward events, they should be prepared and be capable of tackling the consequences in the best way possible.

To underpin the overall goals, the following activities directed at KLP's customers, have been carried out in 2009:

- 19 courses (347 participants) in systematic safety management for municipal buildings

- 8 courses (204 participants) in work environment related subjects (in cooperation with Kommunal Kompetanse).
- 4 courses (80 participants) for fire protection managers in cooperation with SafeCon.
- Various supporting activities linked to practical claim prevention measures (fire, burglary, personal injury and liability problems).

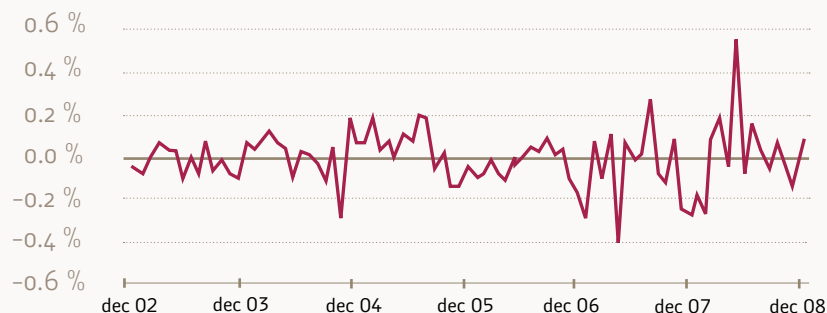
Besides direct activities with customers, it is important to co-operate with other specialist to develop general aids to reducing the risk for KLP's customer groups. During 2009 KLP Skadeforsikring has engaged itself in the following projects:

- E-training course in HSE for waste water treatment plant staff. A project initiated by Norwegian Water BA, which is an interest organisation for Norwegian water and wastewater companies. The course is an activity to reduce personal injury/disease related to waste water treatment plants.
- Project cooperation with Trygg Trafikk - The Norwegian Council for Road Safety - where KLP Skadeforsikring has contributed to a guide for local municipal case officers and county authority appeals officers, as well as

KLP's customers and products

Monthly yield difference attributed to exclusions

KLP World Index vs. MSCI World



KLP was the company doing the largest climb on TNS Gallup's reputation barometer in 2009.

parents, with regard to the Norwegian Education Act Section 7-1. This statute provides that children with a particularly dangerous or hard route to school are entitled to free school transport regardless of the distance. Through project participation KLP hopes to have created a tool that can make life easier for all the parties involved, and made a contribution to the applications and assessments achieving the objectivity necessary for the process to run as smoothly as possible.

Attractive employers - happy employees

In 2008 the Group started an effort aimed at the retail market to provide a broader service to our customers' employees. A limited lending business was in 2008 transformed into an active effort related to lending and non-life insurance products for public sector employees. During 2009 KLP Banken was established to develop new products and service concepts for this customer group. We see that advantageous offerings to KLP's members – i.e., employees of KLP's customers and owners – can provide the employers with a competitive advantage when it comes to recruiting new employees in a competitive labour market.

KLP aims to give its customers predictable finances related to pension questions. Through supporting good financial control and maintaining focus on low administration costs, KLP will help to increase the financial flexibility for local authorities to resolve the tasks they are given. Public sector occupational pension schemes are offered in a competitive market. But, sum-

ming up 2009, KLP can enjoy the fact that only 4 of the 12 local authorities that went out to tender were KLP customers. Knowing that KLP has four times as many local authority customers as our competitors combined, this is a very positive signal from KLP's customers and owners. Of the customers who went out to tender, KLP lost one municipality but retained three.

Dialogue with customers and other stakeholders

KLP has first and foremost an active and systematic stakeholder dialogue with its customers, members of the pension schemes and owners, as well as with the labour organisations affected, employer's associations and relevant authorities. The dialogue with the latter groups is described in more detail in the chapter KLP and society / Development of framework conditions.

KLP wants to focus on responsibility, good reputation and satisfied customers. During 2009 analyses of the pension scheme members (i.e. KLP's pension customers' employees) have been carried out in connection with the launch of non-life insurance and banking for this target group. This has been done both by asking about the members' interest in such products and by looking at the statistical characteristics of the members. Our conclusion so far is that the members have a certain interest in such products from KLP, but that it must involve clear product advantages for them to be interested. Customer satisfaction is measured system-

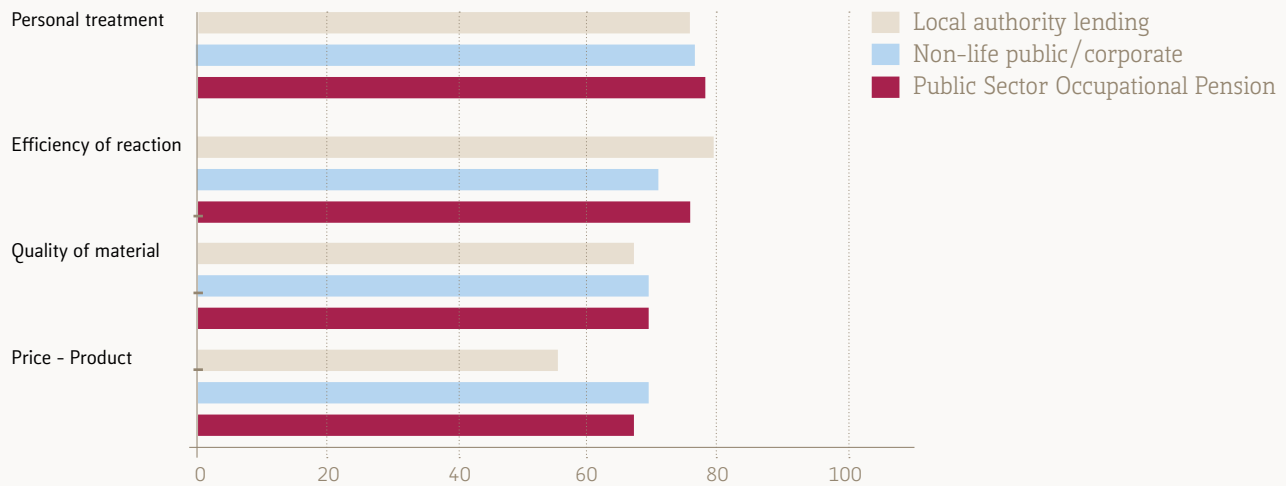
atically on an annual basis and the results for 2009 show that KLP has very satisfied customers. Customers with current loans reported somewhat lower satisfaction, believed to be linked to the fact that KLP, at the time of the survey, was seen as not having fully competitive interest rates. The survey was carried out at a time when Kommunekreditt had been acquired by KLP, but when the merger had not yet been carried out.

The measurements show that KLP's customers within public sector organisations are generally very satisfied with personal treatment and efficiency of reaction. KLP has a certain potential for improvement with regard to quality of material, i.e. the written information that is sent out to its customers. Nevertheless there has been substantial improvement in this area in recent years.

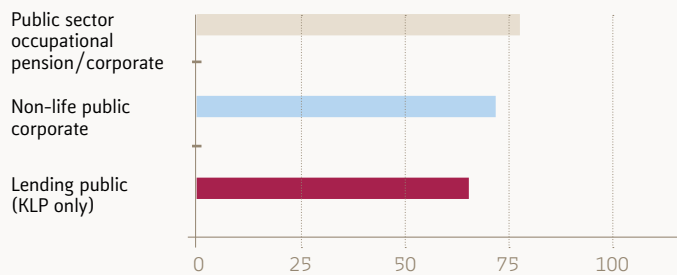
It is normal to receive less positive feedback from customers on price. KLP will however try to improve the visibility of what is actually included in KLP's offerings, particularly in the area of public sector occupational pensions. KLP carried out its last positioning survey at the end of 2008. A new series is scheduled for February 2010. The responses to the surveys will tell whether the Group has succeeded in being what key target groups want it to be. Any gaps will have to lead to more detailed analyses and the possible development of new measures. An important distinction will be whether the identified challenges are linked to communication or to more substantial matters.

Customer satisfaction 2009

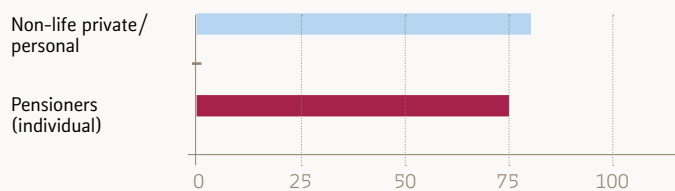
Result by subject and business area



Customer satisfaction in public sector and publicly owned companies



Customer satisfaction in the retail market



KLP and the environment

2009 was a year when the environment and climate received much attention. So also at KLP. The Group took new important steps in its efforts to contribute to reduced global warming and the conservation of the environment locally and internationally.

Environmental management systems

The KLP Group was Miljøfyrtårn ("Eco-Beacon") accredited in June 2009. The certification covers 5 corporate legal entities, including the parent company. KLP Skadeforsikring had already been Eco-Beacon accredited in 2008. KLP Eiendom Oslo was certified by Det Norske Veritas in December 2009, confirming the company is working in accordance with the environmental management standard ISO 14001. Of the companies in the KLP Group as of 31.12.2009 it is only KLP Banken, KLP Eiendom Trondheim and KLP Eiendom's companies in Copenhagen and Stockholm that do not have a certified environmental management system. KLP Eiendom Trondheim, Copenhagen and Stockholm will be certified in accordance with ISO 14001 in the course of 2010. KLP Banken has a target to become Eco-Beacon certified as soon as operations are well established.

As part of the accreditation process KLP's Group environmental policy was revised. The most important elements in the new policy are that the environmental aspect is to be integrated into service development and that all subjects covered by Eco-Beacon accreditation will be addressed. The Executive Vice President for Group Services has been nominated as the

Group's senior responsible for environmental issues, while the Vice President for Corporate Responsibility, has been given the operational responsibility. The environmental policy is available at [www.klp.no/about KLP/corporate responsibility/guidelines](http://www.klp.no/about/KLP/corporate_responsibility/guidelines). Eco-Beacon certification also requires an annual Environmental Report, which is published on the web-site under "Reports". An Environment Committee with participants from all business areas has been set up to monitor environmental work. The Committee's task is to collect good ideas from the organisation and disseminate information and knowledge back to the business areas, assess the practicality and effect of various measures and to put practical recommendations on environmental matters to the Company's senior management. The Environmental Committee is chaired by the Vice President for Corporate Responsibility.

Green service development

A pension and insurance company has of course a very long-term perspective on its business. The Company is dependent on creating financial returns both in the short and the very long term. In addition the insurance products must reflect claim development correctly – in a market exposed to competition.

Even our pension customers are affected by adjustments to climate changes and costs associated with environmental damage. KLP wants to help to keep its customers' options as open as possible but this requires a global effort by many players.

Environment and climate have therefore been elements of the responsible investment policy for a long time. An early global climate agreement will give the capital markets the opportunity to integrate climate costs on a realistic basis and provide predictable business conditions. But even without an agreement KLP must persuade its investment objects to measure their emissions and take responsibility for reductions that are adequate in relation to the established targets. KLP has been a Norwegian partner for the international Carbon Disclosure Project since 2007. Each year the CDP puts a number of climate-related questions to the Global 500 companies as well as to a large number of other companies in various regions, totalling 3700 globally. It is the third year the invitation to report on climate issues has been sent to Norwegian and Nordic companies. 128 Nordic companies responded to the survey this year compared to 110 last year, but only 17 of these were Norwegian – producing the lowest response percentage in the Nordic region at

More GRI indicators associated with the environment

GRI indicator	Description	Result	Comments
EN27	Percentage of products sold and their packaging materials that are reclaimed, by category	0 %	Not relevant for a service producer
EN28	Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fines: NOK 0 Non-monetary sanctions : 0	Only property business affected by environmental legislation
EN23	Total number and volume of significant spills	Number of emissions: 0 Volume 0	Chemicals not used that may cause emissions
EN24	Hazardous waste in accordance with the Basel Convention	Weight = 0 kg	
EN25	Biodiversity in wetlands affected by the company's emissions of water and run-off	No effect demonstrated	

GRI indicators described in this chapter: EC2, EN-RLT*, EN2-5, EN7, EN16-18, EN22-25, EN26-28

*RLT = Reporting on management approach concerning the environment

Miljøfyrtårn - "Eco-Beacon"

Norwegian certification system for both environmental performance and environmental management. Links up with the existing HSE system. Focus on concrete measures/standards that all businesses must meet, together with industry specific requirements. Measures should be profitable, concrete, relevant and simple for the customer. An environmental and industrial policy measure adapted to Norwegian local authorities and their activities.

ISO 14001

International standard for environmental management systems. Analysis of environmental impact – what is significant and what is the improvement potential for the individual business. Formulation of environmental policy and environmental improvement programme with targets and time limits, and a management system with procedures, reporting procedures and allocation of responsibility. Minimum requirement is the upholding of laws and regulations, and, if appropriate, that emission permissions are met – other targets and measures should be adapted to the individual business.

35 per cent. KLP carried out a special analysis of the climate risk associated with the Oslo Stock Exchange Main Index and 9 companies with relatively high climate emissions, who had not reported satisfactorily, were identified. By dialogue and exercising ownership rights KLP will make special efforts to influence these companies.

Another important product area where environmental and climate considerations are obviously present, is property management. In 2009 Enova moved into new premises in Trondheim, a building KLP had already named "Miljøbygget" (the "Green Building") during construction. The industry's own professional jury awarded this building the prize for Building of the Year 2009. However the aim is that all future building will as a minimum satisfy the requirements for "low energy construction". Use of alternative new renewable energy sources (NRE) will be explored for all new construction. More information about Miljøbygget is available at www.miljobygget.no. KLP Skadeforsikring is also working on integrating environmental and climate related questions into its core business. Particularly important is the focus on risk reducing measures, since climate changes are expected to increase risk of floods, landslides and mudslides, and storm damage. Such claims are largely covered through the joint arrangement, the Norwegian Natural Perils Pool, but for the individual customer it is a major burden to experience such damage.

Procurement and materials consumption

Awareness of the environmental aspects of procurement has been considerably strengthened during 2009. However the target of determining an overall Group procurement policy that safeguards the environmental aspects was not achieved during 2009. The policy is to be put to the Group Senior Management in spring 2010. But as part of the Eco-Beacon accreditation all major suppliers were investigated in respect of their environmental management systems and

environmental performance. Since 2008 the IT department, one of the largest purchasers in KLP, has had an action plan for Green IT. Procurement requirements are a significant aspect and the results so far are positive. IT considers that the purchasers probably select the right products from an environmental point of view based on the high-level criteria already available, but awareness concerning the environmental thinking process could have been even better rooted. Information about the environmental requirements is currently provided through employee review meetings and by e-mail reminders. A special course for all purchasers at KLP, in which the focus on awareness of the environmental requirements will be even clearer, will be considered as part of implementing the new overall Group policy for procurement.

With the exception of the property management, KLP's material consumption is closely linked to office operations. The most important consumer item is paper. Currently there is no overview of total paper consumption at KLP but all paper bought from the start of 2009 bears the "Svanemerket" mark. KLP Eiendom started mapping its own consumption of paper in Oslo in connection with its environmental accreditation. Reduction of paper consumption is included in the environmental action plan for KLP Eiendom in Oslo and a stocktaking of paper bought in 2008 and 2009 shows a reduction of 44 per cent.

Several projects and measures affecting the Group's paper consumption contribute to this development in the right direction. "Paperless KLP" is a project for a new electronic registry and new procedures for document handling in which the first phase should be in place before KLP moves into its new head office in May 2010. It has been estimated that the gain may be up to a 15 per cent reduction in paper consumption in the Company. Another important measure is the replacement of printers. During 2009 13 new printers which replaced about 40 of the old, were procured.

These printers have double sided printing

KLP and the environment

Environmental requirements on purchase of IT products

Requirement	Result 2009
New hardware should be marked with the Energy star	OK
2. Check the suppliers' environmental profile and whether they are environmentally accredited	3 of the 4 most important are environmentally accredited The fourth supplier has mainly environmentally certified products and subcontractors.
3. Select low energy use equipment	By selecting laptops instead of stationary PCs and LCD screens instead of large screens. Laptops have 1/4 and LCD 1/5 of electricity consumption of PCs and large screens respectively. Within the groupings of laptops and LCD screens it is costs in relation to performance/quality that form the basis of the choice.
4. Choose low noise equipment	Because of laptops and LCD screens are in themselves much quieter than stationary PCs and large screens.
5. Consider whether the old equipment can be reassigned before procurement of new	OK

Paper consumption KLP Eiendom Oslo

Paper consumption	2008	2009	Change
Number of packets of 500 sheets	641	480	-25 %
Sheets per employee (A4+ A3)	4856	3243	-33 %

as standard. Printers are equipped with a "Fetch print" function, which means that the users must go to the nearest printer (or any one of the new type) and select from their personal queue which documents they want to print. If the printout is not collected it will be deleted from the queue at the end of the day. An additional 11 printers will be procured and positioned when KLP moves into their new premises in May 2010.

Overall, between 110 and 120 old printers will then have been replaced by 24 new printers with the "Fetch print" function. This is expected to reduce paper consumption considerably and will also have a significant effect on the quantities of waste.

Currently KLP Eiendom does not measure materials usage beyond the paper consumption. With new larger construction projects it is however relevant to measure consumption of concrete, glass and steel.

Waste

In connection with the Eco-Beacon accreditation of the businesses at Paleet in Oslo and the regional office in Bergen, the amounts of paper waste, soft plastic and residual waste were measured. These were sample measurements that were extrapolated to annual volumes. Since the waste for the businesses in Oslo is collected in containers that are used by a number of other businesses as well it is difficult to identify specific figures for KLP. For previous year's total waste quantities have been reported for Paleet in Oslo, where KLP's head office has been –but

this also covers waste from for example Det norske teater and shops and restaurants in the Paleet shopping mall.

Notwithstanding shortcomings in the possibility of measuring, KLP wants to reduce the quantity of waste, and particularly residual waste. For that reason a new waste instruction was developed in 2009. At the same time waste sorting according to source has been expanded to apply to soft plastic, as well as paper, EE waste and food waste in the cafeteria. The sorting-by-source percentage for the office at Paleet in Oslo was estimated at 82 per cent and the corresponding figure in Bergen was 62 per cent. The latter has improved substantially after a new waste sorting station was set up. For both locations the recycling ratio was 100% as residual waste is burnt in the district heating plants. For comparison, KLP Eiendom had a sorting-by-source percentage of 40.2 per cent on average in its office properties in Oslo – a reduction from 42.7 per cent in 2008. For the shopping centres in Oslo the source-sorting percentage was 51.7, an increase of one percentage point from the year before.

KLP has chosen a new partner from January 2009 for the disposal of all hardware. The choice fell on FAIR Re-cycling which recycles equipment and expertise to users in the Third World. During 2009, 107 PCs were handed in and of these 55 were recycled. The remaining 52 were stripped of reusable parts before they went for materials recycling in accordance with the regulations.

Energy

KLP Eiendom owns and operates KLP's own premises in Oslo and Trondheim, whereas KLP's operations in Bergen are tenants of external parties. In addition KLP Eiendom owns and operates a range of other office buildings, shopping centres, hotels and residential properties. Total energy consumption for comparable buildings has been reduced by 1,432,000 kWh, and the temperature-corrected consumption per square metre of heated area has gone down from 198 kwh/square metres in 2008 to 193.7 kwh/square metre in 2009.

KLP's own operations are located in buildings that also have other tenants and it is therefore difficult to isolate energy consumption associated with heating and cooling of KLP's own premises. The electricity consumption (associated with lighting, operation of machines and the like) on KLP's own metres is remaining stable, whilst the district heating consumption for the whole of Paleet has shown a reduction by 34,000 kWh for 2009. KLP Eiendom's environmental action plan sets concrete targets for energy reduction and measures. For 2009 the target was an average reduction of 5 kWh per square metre. The non-temperature-corrected consumption per square metre of heated floor area in Oslo has risen over the previous year. If one corrects for differences in external temperature however, Oslo has had a reduction of 4.5 kwh/square metre from 197.5 kwh/metre squared to

Paper waste and residual waste – estimated annual volume 2009

	Paper waste in kilos	Paper waste in kilos	Residual kilos	Residual waste in kilos
	Total	Per employee	Total	Per employee
Paleet- Oslo	15,416	37.6	5040	12.29
Bergen office	2,800	28	1728	17.28

Energy consumption 2009 (kWh per square metre, not temperature corrected)

	2007	2008	2009
Electricity consumption Oslo*	107	104	129
District heating Oslo*	N/A	100	105
Electricity consumption Trondheim*	247	130	124
District heating Trondheim*	N/A	94	87
Electricity consumption KLP at Paleet	N/A	89	89,6
District heating Paleet	191	164	162,7
District heating proportion Oslo	45 %	51 %	46 %

*All buildings, based on KLP Eiendom's own measurements. Includes all tenants' consumption where the tenant has own metres.

193 kwh/square metre in 2009. In Trondheim the non-corrected consumption has also reduced. The temperature-corrected consumption has reduced in total by 7.9 kwh/square metre, from 207.9 to 195 kwh/square metre in 2009. There is energy monitoring at all properties where KLP Eiendom itself has energy meters. Work is being carried out on the systematic understanding of the energy flow in the buildings, thereby to discover and implement good energy-saving measures. KLP Eiendom has carried out an energy and environmental analysis of Paleet, which is to be totally renovated in connection with KLP moving to its new head office in Bjørvika in May 2010.

Transport

KLP is a centralised organisation with more than two thirds of its employees located in Oslo. There is a regional office in Bergen

associated with the life insurance operation and KLP Eiendom, as well as KLP Kommune-kreditt/KLP Banken, have parts of their operations in Trondheim. With customers from Gamvik in the north to Mandal in the south, this means considerable travelling activity for the Company's employees. In 2009 KLP decided on a new travel policy that should provide for KLP employees to make more eco-friendly choices when they are travelling on business. All those travelling are to assess the necessity of the journey itself in terms of costs and environmental perspectives, including an assessment of whether a video conference or telephone conference can replace the physical meeting. Furthermore the selected mode of travel is to be assessed as to whether it is the best from an environmental perspective. The number of journeys by air increased slightly in total, but the number of journeys per employee has continued to reduce – from 6.1

in 2007, to 4 in 2008 and further to 3.4 in 2009. The distance travelled was 2270 miles (3650 km) per employee in 2008, and 2156 miles (3470 km) in 2009 – a reduction of 5 per cent. The KLP Group has 12 company vehicles in addition to KLP Eiendom's service vehicles. The average CO₂ emission from this vehicle fleet has reduced from 185 g/km in 2008 to 180 g/km in 2009. One of the vehicles has emissions under 150 g/km. Diesel consumption for KLP Eiendom's service vehicles reduced from 11,300 litres in 2008 to 8800 litres in 2009.

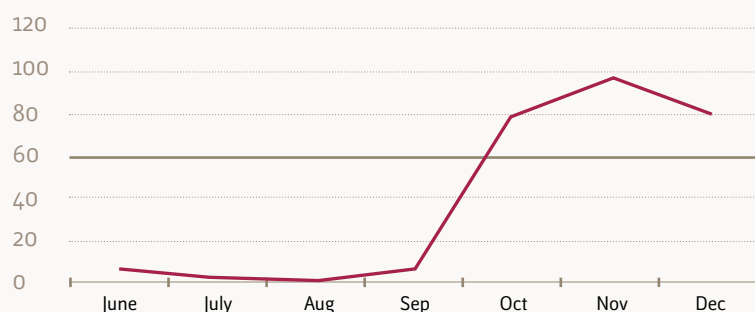
In June 2009 KLP entered into a Group agreement with NSB – Norwegian State Railways. The illustration on the next page shows the trends in the number of journeys since the agreement was introduced. The number of journeys undertaken before the agreement came into force is not available.

Air-travel

Area	Number of journeys		Distance miles		CO ₂ emissions (kg)*	
	2008	2009	2008	2009	2008	2009
Domestic	2117	2176	989,009	960,810	189,830	184,303
Scandinavia	223	204	135 025	134,228	21,538	22,025
Europe	160	128	256 475	190,597	41,028	30,363
Intercontinental	18	31	174 968	316,187	30,703	55,387
Total	2518	2 539	1 555 477	1,601,822	283,089	292,078

KLP and the environment

Railway journeys 2009



Climate account

For the third time KLP has estimated its emissions of carbon dioxide (CO₂) and other greenhouse gases. The estimates have been carried out by an external analyst, CO₂focus. The estimate methodology is the same, but the data quality and the number of variables included in the account are being continually improved. The figures for 2008 have therefore also been recalculated to provide comparability.

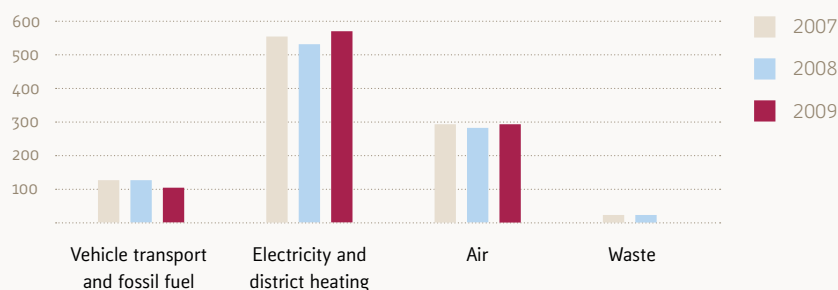
It is estimated that in 2009 the KLP Group's Norwegian operations, including KLP Eiendom's operational buildings, has emitted 9335,8 tonnes of CO₂ equivalents*. This is a reduction of 3 per cent from the previous

year. The most important contributors to the reduction are the phasing out of heating oil as a heating source (-83%), reduced transport emissions (-12%) and reduction in emissions from other waste (-85%). Taking KLP's own office operations in isolation, the emissions have apparently increased by 1 per cent from 966,6** in 2008 to 973,2 in 2009. This is primarily a result of an increase in reported electricity consumption, but an important element of this is that in 2008 electricity consumption in KLP's Trondheim offices was not reported. The number of journeys by air has also helped to increase emissions. If we look at emissions per employee (not including

KLP Eiendom's properties rented to external parties), we see a reduction from 1,4 tonnes per employee in 2008 to 1,3 tonnes per employee in 2009.

KLP will even for 2009 compensate for its emissions from its own operations*** by buying UN-certified CO₂ quotas. Such quotas or CER (Certified Emission Reductions), finance projects for renewable energy in the Third World. On completion of the trade, the quotas will be deleted in the international quota register. This means that there will be somewhat fewer quotas available for that part of the industry that has emission quotas imposed in accordance with the EU's quota directive.

Climate account for KLP's own operations



* The estimate is based on available data. Emissions that are not currently included are taxi services, public transport, direct and indirect emission from KLP Eiendom's project activity, energy consumption by tenants with their own metres, as well as emissions associated with purchases of materials and services.

** The emission from KLP's operations in 2008 has been adjusted in relation to what was reported last year since heating oil in one of KLP's leased properties was incorrectly charged to KLP's own operations.

*** Compensation has not been made for emissions that can be attributed to the properties rented out by KLP Eiendom.

KLP and society

KLP has obvious obligations to its owners and employees, customers and members. When one speaks of corporate responsibility however, it is natural also to look at potential influence and responsibility in a wider perspective.

For KLP this first and foremost relates to other companies, institutions and individuals with whom KLP has direct contact in its business. Most important amongst these are suppliers of goods and services, as well as those companies in which KLP invests its assets. These in turn have a wide contact network of subcontractors, employees, other customers, local communities etc upon which KLP can exercise indirect influence.

Socially responsible investments (SRI)

KLP is an institutional investor with holdings in almost 2000 companies globally. The majority of equity investments are based

on index-tracking portfolios which provide for cost-effective management and a broad, but fundamentally passive, exposure to the equities market. A smaller proportion of the investments are actively managed portfolios. Since 2002 KLP has had a socially responsible investment policy which ensures that all financial investments are subject to an ethical filtration. Ownership is exercised actively with a view to long-term and sustainable value creation. In addition KLP's ownership principles are taken into account as well as KLP's policy for external management. All policies and principles may be found at www.klp.no/om_klp/samfunnsansvar.

KLP's spheres of influence



Excluded companies as of 31.12.2009

Human rights

- AES
- Alstom
- China Mengniu Dairy
- Dongfeng Motor Group
- Elbit Systems
- Incitec Pivot
- L-3 Communications
- Vedanta Resources
- Wesfarmers
- Yahoo!

Labour rights

- Bridgestone
- Group 4 Securicor
- Toyota Motor
- Wal-Mart Stores

Serious environmental damage

- Barrick Gold
- Chevron
- Duke Energy
- Freeport McMoRan
- Norilsk Nickel
- Rio Tinto
- Vedanta Resources

Production or marketing of weapons with particularly inhumane consequences for civilians (nuclear weapons, cluster bombs, landmines)

- Alliant Techsystems
- BAE Systems
- Boeing
- EADS
- Finmeccanica
- GenCorp
- General Dynamics
- Hanwha Corporation
- Honeywell
- L-3 Communications
- Lockheed Martin
- Northrop Grumman
- Poongsan
- Raytheon
- Safran
- Serco Group
- Singapore Technologies
- Engineering
- Textron
- United Technologies

Tobacco producers

- Altria Group
- British American Tobacco
- Imperial Tobacco
- Japan Tobacco
- Lorillard
- Philip Morris
- Reynolds American
- Swedish Match

KLP and society

Voting at general meetings 2008 - 2009

Voting	2008	2009
International	89 %	71 %
In Norway	28 %	95 %
Against the board's proposal/abstention		
Norway	1 %	15 %
International	10 %	11 %

The reason for KLP having a strategy for responsible investment is twofold. Firstly KLP does not wish to be complicit in breaches of international standards. The Group wants companies in which it invests to comply with those minimum standards that the international community has set. Secondly KLP considers that sustainable business operation will pay in the long run. A pension provider such as KLP is a long-term investor and there is little to be gained from companies' short-term profits if this destroys more long-term income potential. Running a company in a responsible way is also an effective strategy for reducing risk.

Ethical filtering - and dialogue

As a consequence of the policy for socially responsible investment, all companies in the portfolios are continually subject to investigation. Twice a year the decision is made on excluding or including companies associated with serious or systematic breaches of international norms*. As at 31.12.2009 40 companies were excluded from KLP's investment world. Updated lists of excluded companies and the reason why they have been excluded are available at

www.klp.no/about_klp/corporate_responsibility/Responsible_investments/Exclusions. Twice a year KLP also publishes a SRI Report linked to the publication of new exclusions, where the process around the individual companies is analysed in more detail and where other projects and measures in KLP's responsible investments are presented. The report may be ordered at ekspedisjonen@klp.no or read online at www.klp.no.

KLP uses an internationally recognised analysis company, GES, in the surveillance of the companies in the investment portfolios. By using an external provider KLP gains access to leading expertise and dedicated resources as well as a large network in the form of the analysis company's other customers. In addition an unbiased analysis of the companies is obtained, independently of the possible economic consequences of exclusion. KLP Kapitalforvaltning nevertheless has an active dialogue itself with many of the companies investigated. During 2009 there has been a dialogue with a total of 13 companies, of which three of the companies were in the category "under investigation", 2 "under observation" and 10 companies

were "excluded". The companies and subjects covered by the dialogue are more closely described in KLP's SRI Report published on 2 June and 2 December 2009. In total 9 companies were re-included in the course of 2009.

Active ownership

Exclusion of a company is a last resort. KLP would rather influence the companies at an earlier stage so that breach of standards is prevented or the company itself takes the initiative to correct any defaults. The most direct way in which a shareholder can influence a company is to use the general meeting actively. By voting or introducing their own resolutions the shareholders can provide clear directional signals. For KLP, which largely has index-tracker portfolios and cannot therefore "vote with its feet" (i.e. sell all the shares where one does not wholeheartedly agree with the company's management), this has been an important area of effort in recent years. During 2009 KLP and the KLP funds have voted at 123 general meetings in Norway and 1558 internationally. This corresponds to about 95 per cent of those meetings where we have had voting rights in

More GRI indicators linked to KLP and society

GRI indicator	Description	Result
S04	Action taken in response to incidents of corruption	Instances of corruption = 0
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcome	Number of legal actions= 0
S08	Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Monetary value = NOK 0 Total Sanctions = 0

Norway and about 70 per cent of the general meetings abroad. In particular in relation to the Norwegian companies this is a sharp increase, from 29 general meetings in 2008. A more detailed overview of how KLP has voted is found in the SRI Report of December 2009, pages 18–19. Justifications for all occasions on which KLP has voted against the management's proposals in Norway are published at www.klp.no/samfunnsansvar. Remuneration is the subject with the highest proportion of contrary voting (61 per cent in Norway and 23 per cent internationally). Internationally KLP and/or the KLP funds have voted against the management's views, or abstained, in 60 per cent of shareholder proposals.

In addition to voting KLP Kapitalforvaltning has had a simpler dialogue with many Norwegian companies in connection with the Sustainable Value Creation initiative. There is a survey covering more than 70 stock market listed companies.

Investments in sustainable operations

Norsk Mikrofinansinitiativ (NMI), is a new and innovative strategic partnership between the public and private sector in Norway that will invest in micro-finance institutions in developing countries and provide professional help and technical support to these institutions. From the private sector, the partners in NMI are Ferd, KLP, DnB NOR/ Vital and Storebrand; and from the public sector, Norfund. Norfund is the Government's investment fund for industrial activity in developing countries. NMI's partners have committed to investing NOK 600 million. KLP's share of this is NOK 75 million.

NMI's vision is to strengthen the position of the poor in developing countries by contributing to creating work and welfare on

a sustainable basis. In 2009 NMI made its first investment of USD 5,8 million in the India Financial Inclusion Fund. This fund invests in securities in micro-finance institutions (MFIs) throughout India and is led by an Indian investment team. One example of this fund's investments is a MFI in Rajasthan, which was the first MFI in India to serve the poor. Another example of the fund's investments is a MFI focusing on urban areas, which is a new area for the micro-finance industry.

Through these investments the India Financial Inclusion Fund reaches about 1 million customers.

Ethical supply chains

KLP acknowledges its responsibility to stipulate requirements in its own supply chain and has detailed this in its revised Ethical Guidelines. The work to establish general ethical requirements for the most important suppliers will be further developed in the year to come.

The procurement policy under development will provide the basis for a more extensive screening operation in regard to environmental factors and compliance with human rights and employee rights. In connection with this, training measures will also be established for relevant employees. Until a comprehensive and well functioning system is in place, KLP acknowledges that this represents a potential risk – both because one cannot manage the concrete risks further down the supply chain and because customers may impose requirements in their tenders with which KLP cannot currently comply – as well as a risk to reputation. The current procurement system has no specific guidelines for use of local suppliers.

In 2009 KLP supported the national conference on Fair Trade and Ethical Trade in Sauda. Here, public and private sector opera-

tors met to discuss how one can and should stipulate requirements in the supplier chain. More information about the conference may be found at www.fairtrade-kommunesauda.no.

Integrity

KLP revised its ethical guidelines in March 2009. The new code is available at www.klp.no/om/KLP/Samfunnsansvar. An important backdrop for the revision was the changes in legislation and general norms that could be observed. KLP and KLP's employees are to act in accordance with good business practice, applicable legislation and generally accepted ethical norms. The ethical regulations that apply for the business and its employees should be a good guide internally and provide clear external signals. The guidelines have become clearer both with regard to entertainment and gifts, as well as financial support to external parties. As an example a gift register has been established in which gifts received with an estimated value greater than NOK 250 are to be reported. These questions are closely related to the competence to act without bias. KLP's employees are in many cases dependent on exercising a degree of judgement and clear guidelines together with good procedures are therefore essential to ensure equal treatment.

To run KLP's core business, access to sensitive personal information is necessary. It is considered essential and fundamental to day-to-day operations that this is done in a proper way. Those departments with such access have clear guidelines for how the information is to be handled and safeguarded. The matter of handling sensitive personal information is a subject addressed in the annual business audit as well as one of the points that Internal Audit monitors closely. Nothing criticisable has been reported during 2009.

Examples of international norms against which investments are assessed:

- Global Compact 10 principles
- ILO's Core Conventions
- OECD guidelines for multinational companies
- The UN's Human Rights Convention and Children's Convention
- The Ottawa Convention (antipersonnel mines or land mines)
- The Oslo Convention (the Cluster Munitions Convention)
- The Treaty on the Non-Proliferation of Nuclear Weapons (prohibits nuclear weapons for most nations)
- The WHO Framework Convention on Tobacco Control

Recipients of direct financial support:

- HSE projects: NOK 5.7 million divided between 49 projects
- The Work Environment Prize: NOK 100,000 each to Neset Municipality, Vestfold Hospital Trust, Nøtteliten Kindergarten (Os Municipality)
- Blue Cross Norway – sponsor: NOK 500,000 + 100,000
- Other humanitarian organisations: NOK 100,000 divided between 12 organisations
- The Norwegian Deputy Major Forum (Norsk rådmannforum) NOK 100,000
- Customer related organisations: (–The national federation of nynorsk (New-Norwegian) municipalities (LNK)), Stangehallen, (NKK – the Norwegian association of local authority finance officers), LO– The Norwegian Confederation of Trade Unions Annual Municipal Conference and Norwegian Association of Town clerks: total 1.000.000 NOK
- Sauda Fairtrade Conference: NOK 100,000
- The Democracy Prize: NOK 100,000 to Utsira Municipality

Sponsor activities and economic support

KLP does not have a large sponsorship / support programme, but during 2009 NOK 2,5 million were allocated for the support of various organisations, in addition to the support that is given to customer-run HSE projects. Far and away the largest single recipient is Blue Cross Norway, which has had KLP as its main partner since 2004. The support is first and foremost directed at their alcohol and drugs intoxication prevention program for children and young people: in this we support initiatives for children impacted by their parents' substance abuse. KLP and Blue Cross Norway have, to a large extent, common goals – the two organisations are each working in their own way to reduce the general sickness absence in society. Blue Cross Norway is also an important partner for KLP's own owners – the local authorities. KLP also gains something extra, through the great commitment of its own employees.

Sharing expertise

As a leading provider of public sector occupational pensions, KLP has unique expertise and experience associated with public sector pension systems and how these affect the individual, employers and society as a whole. This is important knowledge that KLP shares with other stakeholders.

KLP's customer and sales managers carry out 1500 customer visits in the course of a year and the purpose is often to increase the general expertise surrounding the pension system, pension entitlements and salary reporting. Through the year several "customer schools" are run, focusing on salary reporting, financial management, as well as the regulations associated with a public sector pension tendering exercise. KLP has also established a competency measure directed at politicians where the objective is each year to offer 80–90 municipalities a review of the public sector pension system to improve the basis for decision-making when the pensions question is being dealt with in the future. In addition what are known as "Youth Consultations" are

conducted, directed at younger employees who do not normally have a great interest in or expertise about pension questions.

Development of framework conditions

KLP aims to contribute to the development of appropriate and good framework conditions for the industry, the Company's customers and entitlement holders. This is done through close dialogue with the tariff negotiating parties; the industry organisations; various specialists and the authorities.

KLP is a member of Finance Norway (FNO), the financial services industry's association, and is represented on FNO's board and specialist committees. During 2009 KLP was also engaged in several working groups associated with the Banking Law Commission. The work was linked to financial legislation as well as in general the adaptation of private occupational pension schemes to the pension reform.

Adaptation of public sector occupational pensions to the new National Insurance system was a key element of the tariff settlement in spring 2009. KLP helped the negotiating parties to chart the outcomes of different models in advance of the settlement. Since the negotiating parties in the public sector agreed to continue the main elements of the current gross benefit scheme after 2011, KLP analysed the consequences for the entitlement holders and for the employers' finances.

Even in 2009 KLP played a vital part in making the Security Scheme within the Transfer Agreement work as intended. The scheme ensures indexation of the public sector occupational pension when there is no employer in a position to, or obliged to, pay the adjustment premium etc. During 2009 KLP has participated in several working groups in the European industry organisation for public sector pension providers, EAPSPI. The work is associated with the development of the European regulations on pensions/finance and general information exchange on how public sector occupational pensions are developing in the respective countries.

KLP and Blue Cross Norway 2009:

- Summer camp: five KLP employees were given a week's paid leave of absence to participate in the Blue Cross Norway summer camp as extra team members.
- Fund-raising campaign "From child to child", where KLP employees donated clothes, sports equipment, toys etc from their own children to an internal flea market. The income went to Blue Cross Norway's "Barnas stasjon" ("The children's station") at Hamar. Items not sold were donated to The children's stasjon and the Blue Cross Norway shop. The campaign was carried out in Oslo and Bergen
- KLP's Christmas Present Fund: KLP donates the value of Christmas present previously intended for customers to a Christmas Present Fund, from which Blue Cross institutions can apply for Christmas present funds of up to NOK 100,000.
- Employees' Christmas presents: KLP employees donate their company Christmas present to, amongst others, Blue Cross Norway
- Easter egg: from KLP to all the children in the Blue Cross Norway system

KLP as workplace

KLP is a knowledge intensive enterprise with great professional breadth. Several business areas are in strong growth. To succeed, the Group depends on effective, motivated and committed employees.

Valuable employees

In recent years KLP has recruited more than 100 new employees each year. In total, KLP had about 60 more employees at the end of 2009 than at the start of the year. Many of these were appointed in connection with the establishment of KLP Banken and the acquisition of Kommunekreditt Norge AS. In total, KLP had 744 employees at the end of 2009. Staff turnover sank sharply in 2009, from 6,8 per cent to 2,5 per cent, probably as a result of the financial crisis and a more uncertain labour market, but KLP generally has a very stable workforce.

KLP's overall HR policy has five key areas: Attractive Workplace, Right Competency, Efficient Organisation, Culture and Change, and Effective Personnel Management. Twice a year the Human Capital Index (HCI) is measured as a tool to indicate employee satisfaction, and the Values Capital Index (VCI) is measured to provide an indication of compliance with the Group's values. The HCI results show a steady – and very good – result, with an average score of 4,1 on a scale from 1 – 5. The VCI shows a rising trend and the average score for the last measurement in November 2009 was 4,2. KLP's target for both indicators is 4,0.

KLP's employees have a range of staff benefits. Examples are staff loans with discounted interest rates, group life insurance, access to holiday lodges and holiday apartments, the opportunity of membership

in one of Norway's most active company sports associations as well as discounts in shops in KLP-owned shopping centres. KLP also has a public sector occupational pension scheme that provides 66 per cent of final salary with 30 years' accumulation. To be entitled to pension payments from KLP, a member must have had permanent employment in the Company or another local government or public sector organisation for at least one year. KLP's pension obligations to its own employees at the end of 2009 were estimated at NOK 514 million*.

*Total net obligations in the balance sheet.

Diversity and equality

In 2008 KLP adopted a new policy for Diversity and Equality with a number of concrete targets and measures. During 2009 HR has offered and carried out training and awareness-raising of managers in relation to legislation, policy, targets and measures for the whole diversity field. In several areas KLP has achieved its targets: in others there remains some way to go and it is planned to continue the work in 2010 focusing both on structural and cultural aspects. The recruitment policy has been adjusted to ensure improved take-up by female candidates and to ensure that qualified candidates with minority backgrounds (ethnicity, religion, language and skin colour or nationality) are shortlisted and treated equally. A diversity statement is published on the careers pages

on the intranet to provide potential applicants with information about our attitudes. Guidelines for events and representation now include food alternatives. For the coming year workshops are planned to involve and raise the awareness of managers in working with diversity (all legal bases for discrimination included) in practice in an integrated and appropriate way. Accessibility and "universal design" have been monitored closely in planning KLP's new head office.

All positions, except senior management positions and positions remunerated at high wage scales, are placed in a job category 1–5 according to an assessment of the complexity of the position (CEBRA). It is an assessment of the employee's expertise and experience that decides at which salary scale remuneration starts, within the defined category. No KLP employees are paid at defined minimum pay. Senior management positions are assessed for salary positioning in accordance with several criteria such as complexity, strategic content etc using what is known as a HAY analysis. The tools used in assessment and positioning ensure a competitive level that is in line with the industry generally. KLP should not be a salary driver, but should follow developments in the industry generally to be able to attract and retain competent employees.

KLP uses bonuses to a very limited degree, only for certain positions associated with asset management and property. KLP's

Employment statistics

	2007	2008	2009
Total permanent employees	647	685	744
Total temporary employees	N/A	15	16
Turnover	6.9 %	6.8 %	2.5 %
Proportion of women in total	50 %	48 %	48 %
Average age	40 yrs	41.5 yrs	40.8 yrs


GRI indicators described in this chapter: 2.8, 4.5, FS 4, EC3, EC5, EC7, LA-RLT*, LA1-14, HR4, SO3

*RLT = Reporting on management approach with regard to labour practices and decent work

Overall goal achievement Diversity and Equality

Overall goal achievement Diversity and Equality

Goal	Measure	Time limit	Achievement	Category
The work on diversity and equal opportunities for all discrimination issues must comply with current legislation	<ul style="list-style-type: none"> ■ The activity obligation is assured through target setting and monitoring being integrated into HSE work and in employee evaluation discussions and management evaluations ■ The reporting obligation is met through the annual report 	2009	Relevant guidelines have been amended and are monitored. Activity and reporting requirements are met in line with the regulations. Internally reporting is more comprehensive than our statutory obligations.	
KLP's goals, measures and policy document must be presented to the entire organisation	<ul style="list-style-type: none"> ■ Offer training to all managers ■ Updating of procedures and templates ■ Communicate KLP's policies to all employees 	2009	Training has been offered to all managers. Procedures and templates have been updated. KLP's policy has been presented on the intranet and is available both on the intranet (HR portal) and the internet. Internal survey still shows that many are not aware of targets and measures. New training is planned for next year and the policy will be vitalized through obligatory training in ethics early in 2010.	
Ensure good and fact-based statistics and analysis material	<ul style="list-style-type: none"> ■ Ensure the necessary extracts and reports from SAP ■ Complete the Great Place to Work survey 	2009/10	The statistical basis has become considerably better due to better use of SAP.	

 Green = goal achievement to plan

 Yellow = partial goal achievement

 Red = stagnation or reverse

salary policy contains incentives for individuals to influence their own salary development. Within salary settlements part of the total provision is allocated according to set criteria that the employees can influence through their own efforts and results.

KLP also monitors possible inequalities in salary development amongst groups, between genders etc. Salary differences between women and men are monitored through internal systems and tools and will be adjusted inter alia through special provision in salaries settlements if deviations prove to be gender-related. On average, women still earn less than men. This can largely be explained by differences in the level of position, seniority and work tasks. Differences in average salary have

however been reduced from 2008 and female now earn 80 per cent of average male salary.









In regard to gender distribution amongst management, we see a slight increase in the proportion of female managers. KLP has a target of 40 per cent women managers at all levels by the end of 2012. This is a challenge, particularly for the senior management levels. The target has been reached for Level 3 – where there is a 50/50 distribution of male and female managers in 2009.




For governing bodies all boards meet the internal requirement of 40 per cent female representation. Five of the boards have 50/50 distribution of women and men, including the board of the parent company. Responsibility for Equality and Diversity lies

within Group Services and is currently a shared responsibility between the HR Manager and the Vice President for Corporate Responsibility. In 2008, together with representatives of the staff representatives, they formulated a Policy for Diversity and Equality – Equal opportunities for all. The policy has concrete targets and the table shows overall target achievement as at 31.12.2009. In addition to the overall targets one or more targets were established for each statutory basis. Target achievement is assessed both in relation to whether the target has been reached and whether recommended measures have been implemented. Target achievement by statutory area is described in the table on the next page.

KLP as workplace

Selected goals, measures and achievements for Diversity and Equality

Statutory area	Goal	Measure	Time limit	Status
Gender	Min. 40% of each gender at all management levels	■ Increase the proportion of women at top management levels	2012	
	Eliminate any wage differentials related to gender at all levels	<ul style="list-style-type: none"> ■ Better statistics ■ Wage supplement for female employees in local wage negotiations to eliminate any wage differentials. ■ Eliminate categories of positions based on gender by recruiting an increased number of the underrepresented sex 	2009	
Ethnicity, national origin, descent	KLP shall introduce active measures to counteract direct and indirect discrimination related to ethnicity, descent, skin colour or nationality	More detailed analysis of how representatives of ethnic minorities might have a different view of KLP to the average. Put into effect practical measures to prevent any perceived differential treatment.	2009	
Language	KLP shall introduce active measures to counteract direct and indirect discrimination related to language	Should conduct an analysis of language requirements associated with various positions.	2009	
Religion and views	KLP shall introduce active measures to counteract direct and indirect discrimination related to the practice of religion and philosophy	All events and arrangements should have alternative menus to accommodate various religious traditions.	2009	
Sexual orientation	KLP shall introduce active measures to counteract direct and indirect discrimination related to sexual orientation	Social events should not discriminate on personal living arrangements (and indirectly on sexual orientation)	2009	
Age	KLP shall introduce active measures to counteract direct and indirect discrimination related to age	Further development of the programme 55+	2009	
Disabilities	KLP shall introduce active measures to counteract direct and indirect discrimination of persons with disabilities.	<p>KLP's new headquarters is to be designed in accordance with the requirements of 'universal design'.</p> <p>If there are qualified job candidates with disabilities at least one is to be shortlisted for interview.</p>	2009	

-  Green = target achievement to plan
-  Yellow = partial target achievement
-  Red = stagnation or reverse

Part-time positions and average salary by gender

Proportion of part-time positions	2008	2009
Proportion of part-time positions, women	18 %*	20,3 %
Proportion of part-time positions, men	1 %	1,3 %
Women's average salary as a percentage of men's average salary	76 %	80 %

* Data is corrected from the Sustainability Responsibility Report for 2008. Gender distribution, managers, as of 31.12.2009

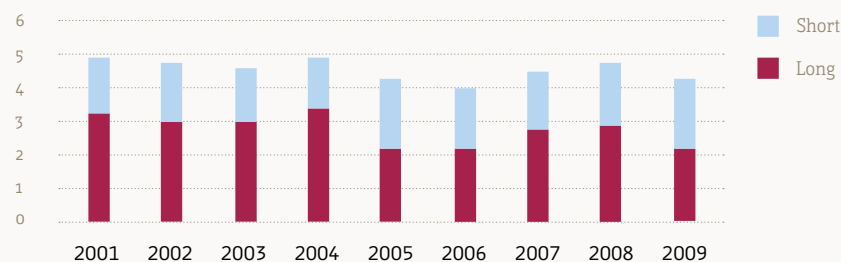
Gender distribution of management, as of 31.12. 2009

Management level	Proportion of women 2008	Proportion of women 2009	Total managers 2009
Level 1	11 %	20 %	10
Level 2	18 %	18 %	45
Level 3	48 %	50 %	48
Level 4	30 %	33 %	6
Level 5	0 %	0 %	6
Average total	31 %	31,3 %	115

Gender distribution, governing bodies, as of 31.12.2009

Corporate body	Proportion of women 2008	Proportion of women 2009
KLP Board of Directors	50 %	50 %
Board of Directors KLP Kapitalforvaltning AS	57 %	43 %
Board of Directors KLP Eiendom AS	40 %	40 %
Board of Directors KLP Fondsforvaltning AS	33 %	50 %
Board of Directors KLP Skadeforsikring	50 %	50 %
Board of Directors KLP Bedriftsforsikring	67 %	57 %
Board of Directors KLP Forsikringservice AS	N/A	40 %
Board of Directors KLP Banken		43 %
Board of Directors KLP Kreditt		50 %
Board of Directors KLP Kommunekreditt		50 %
Supervisory Board KLP	53 %	53 %

Development in sickness absence



KLP as workplace

Health, safety and environment

Norway has comprehensive legislation associated with health, safety and environment. KLP's internal agreements include reference to all relevant HSE subjects, and legislation and internal regulations are described. The internal regulations are to a large extent based on the central legislation in the Norwegian Working Environment Act and the special legislation regulating this area, and a range of subjects has been expanded on and clarified in separate guidelines that have been adopted in internal, representative committees. The Group CEO has the overall responsibility for HSE, but the practical and operational responsibility for the processes lies within the Group Services business area, where HR has the specialist responsibility. The Company also cooperate closely with the safety deputies and union officials on HSE issues. KLP has established procedures for investigating status, defining measures, and monitoring performance related to statutory requirements and internal policies with regard to HSE. The policy for Diversity and Equality is also relevant here, because this work is linked to the HSE field. Regular training, facilitating and process support is offered by HR to managers and employees. All new managers must go through HSE training. Policies, procedures, agreements etc are available to all at the HR portal on the Group's intranet. HR also uses the intranet for information, reminders, articles etc on key subjects.

KLP's total sickness absence in 2009 was on average 4,2 per cent. That is a marked improvement from 2008, when sickness absence was 4,7 per cent. The reduction is first and foremost a result of a clear reduction in long-term absence, whereas short-term absence rose marginally. All the companies are monitored by HR and if sickness absence is related to work and workplace there is a close follow-up from line management. Procedures, templates and processes have been developed. No work-related injuries have been reported for 2009. Nor were there any work-related deaths.

KLP is an AKAN (Norwegian employment competency centre for substance abuse/addiction matters) company. HR has prepared guidelines on how the employer is to react if employees have problems with alcohol or substance abuse. The guidelines are presented to all staff to ensure that procedures and contact points for help and continuous observation are known. The subjects are also covered in online training which is mandatory for all KLP's employees.

In the case of more acute events, for example the influenza epidemic in 2009, special guidelines have been prepared for how employees should react and how the company will follow up on this. In such cases KLP has close contact with the Occupational Health Service and with the safety deputies, and KLP's intranet is used for information. In autumn 2009 KLP offered swine influenza vaccination for all employees.

Development of competencies and training

HR has its own budget provision of NOK 400,000, which goes to employees wanting more training and additional education. Allocations take place after assessing applications and manager-recommendations, in accordance with set guidelines. The assessment is carried out by a representative committee. The number of recipients is increasing – last year educational support was received by 14 employees of which a majority was women. In addition HR offers central courses and training activities that are relevant across companies and business units both in the form of classroom courses, e-learning and knowledge sharing. Companies and departments also have their own budget allocations for more specific professional development. In total the Group used more than NOK 10 million in training and organisation development measures.

The management program VEKST ("GROWTH") has continued during 2009. The aim is to create a consistent management practice founded on KLP's values and Management Code, policies and instructions – as well as providing participants with an opportunity for professional and personal development. During 2009, 20 new managers started on the program. In total 126 managers have participated in the program.

During 2009 there has been more focus on mandatory training activity and training in relevant regulations and internal policies, and this is to be continued in 2010. The aim is to ensure improved knowledge and awareness about the relevant themes; and increased focus on correct attitudes, reflection and justified actions. In 2009 new Ethical Guidelines were implemented after a process in which all the KLP-companies were involved through workshops. In addition a survey about the ethical climate in the organisation was carried out. The results of this survey have given grounds for further work and have been presented at an open meeting for all employees, and in all the companies' management teams. HR has also offered to arrange gatherings and facilitation of information meetings focusing

on ethics, to the management groups and the various departments and companies. About 1/4 of all employees have received such training. Online ethical dilemma training has also been prepared and is being launched in the organisation in early 2010. In the equality and diversity area HR has also offered training, but this has been on request and not obligatory, apart from for newly appointed managers. Some management groups have taken up the offer and are expected to take this further within their own organisation. In critical processes where questions about equality and diversity are relevant, the HR contacts ensure that this is discussed and the necessary considerations made.

An evaluation of performance with regards to goals, planning of training measures and professional development are mandatory for all KLP's employees twice a year, using the PLUS (Planning and development discussion)-tools two discussion formats.

Shared influence

KLP abides by a negotiated set of agreements that ensure the employees their rights, including shared decision-making and influence. The right to collective bargaining is well safeguarded through the agreements structure and has a strong grounding in the organisation. All employees are embraced by the collective agreement. It is only the Finance Sector Union of Norway that has negotiating rights in FNO's member organisations and thus also at KLP. Notwithstanding this limitation it would be possible to establish local groups of other labour organisations or unions in KLP, but this has not been done.

With regard to organisational changes, KLP abides by the Norwegian Working Environment Act and notifies important changes as quickly as possible. This may be through information on the intranet, in open in-house meetings as well as information meetings with the union representatives. If the matter requires discussion or negotiation this is done subsequently in accordance with statutory and contractual arrangements. Besides discussions and negotiations, important matters are raised in the Cooperation and Work Environment Committees (SAMU) locally and centrally each quarter. All business areas are represented in SAMU.

Employee representatives also sit on the majority of the Group companies' boards of directors in accordance with applicable representation bylaws.

From words to action



Policy and guidelines

Subject	Measures and targets
Senior corporate management	All business areas are to report on corporate responsibility on their specific scorecard. Review and safeguard processes and procedures in accordance with laws on money laundering.
Ethical guidelines	90% of all employees are to complete the online ethical dilemma training. All employees appointed after 1 May are to complete the online ethical dilemma training. Conduct internal investigations to map knowledge of the content of KLP's ethical guidelines.
Procurement	Develop guidelines for procurement that fulfils KLP's corporate responsibilities.
Environmental policy	Assess target achievement of the action plan 2009 and adopt a new action plan for 2010 in accordance with the requirements of the Eco-Beacon standard.
Corporate governance	Establish and implement new guidelines for voting as part of the exercising of corporate governance and update the mandate for responsible investment.

Customers

Subject	Measures and targets
Competency development	In the course of a four-year period all politicians and senior management in municipalities and county authorities are to receive an offer of training, in order to raise their competency with regards to pensions and the significance of ownership and influence in KLP. Offer training to our customers' younger employees to strengthen awareness of entitlements and advantages in the pension schemes and insurance. Clear and simple information about the effect of the pension reform for our members should be continuously available at klp.no.
Customer response	75% of telephone enquiries to the customer call centres should be answered within 20 seconds. Score of 75 in customer satisfaction surveys amongst pensioners. Meet the plan for handling of pensions and group life requests as published at klp.no. The industry's No. 1 with regards to customer satisfaction in the corporate market.
Customer HSE	Be an active partner for our customers' HSE related projects and activities. Measure and document the effect of HSE projects and activities aimed at customers.
Risk reducing measures by our customers	Run 60 courses/professional seminars, risk mappings and other projects focusing on damage prevention, with our customers Recommend measures for specific groups, such as persons with specific needs living at home, and improved childhood environments 3 different measures/projects to safeguard school routes in cooperation with Trygg Trafikk – The Norwegian Council for Road Safety, including developing a booklet with guidance for parents focusing on the way to school in the kindergarten-school transition phase
Stakeholder dialogue	Undertake a customer satisfaction surveys amongst KLP's own customers. Undertake a reputation survey. Collect inputs from different stakeholders on KLP's corporate responsibility.

Environment

Subject	Measures and targets
Environmental management	Eco-Beacon certification of KLP Banken, ISO 14001 certification of KLP Eiendom Trondheim, Stockholm and Copenhagen. Offer interactive environmental training for all employees. Implement procedures to safeguard and monitor environmental requirements. with regards to procurement.
Environment and IT	Continue the energy-saving measure concerning "Virtualisation and consolidation of servers" with a target that 68% of the servers should use virtual technology. Invest in ICT solutions such as videoconferencing equipment, remote control and remote monitoring, to reduce transport and travel activity. Environmental criteria are to be given weight in all substantial ICT procurement. Environmentally certified suppliers should be preferred when possible. Reduced total paper consumption by 15% by 2012 as a result of: ■ transition to electronic document processing ■ the Paperless KLP project with transition to electronic archives Reduce paper consumption from printers by 50% as a result of reducing the number of printers, double sided standard printing and "Get print" with authorisation before printing.
Property management	Reduce water consumption in KLP's in-house operated buildings by 5% per floor space unit. Reduce residual waste quantity in KLP's in-house operated buildings by achieving a sorting ratio of 60%. Reduce energy consumption by 5 kwh/m2 Measure and report the actual consumption compared to plans/targets for the "Eco-Building" in Trondheim.
New head office	Prepare new procedures for waste handling in the new head office in the Bjørvika district.

Society

Subject	Measures and targets
Responsible investments	Continue ongoing and initiate new company dialogues on environmental, social and governance (ESG) themes and establish a system for measuring the effect of the dialogues. Vote at the general meeting in 80% of the companies in which KLP invests, both in Norway and international markets, with a focus on the Nordic markets. Publish KLP's voting decisions at all general meetings at which KLP has voted. Follow-up results and promulgate available information/data from the "Sustainable Value Creation" initiative by actively contributing to any new projects. Publish updated report on KLP's responsible investments twice yearly. Be positioned amongst the leaders in the UN's review of reporting in accordance with the Principles for Responsible Investment (PRI) initiative.
Sponsoring and financial support	Continue the cooperation with Blue Cross Norway.
Industry policy	Prepare analyses of the different parts of the pension reform to show the effect on the entitlement holders and the employers. Monitor and analyse possible changes in business and regulatory frameworks, the competition scene and structural changes that affect the Group, customers and/or competitors. Prepare analyses of how the pension reform has worked out in practice.

Workplace

Subject	Measures and targets
HSE	Maintain sickness absence in KLP under 4,5%.
Diversity and equality	Assess status of implementation of KLP's policy for Diversity and Equality Provide training in diversity for all managers by 2012. Conduct a mapping of the implementation of the recruitment policy with a special focus on the diversity and minorities aspects in particular. Undertake an examination of the annual salary settlement to reveal any salary differences associated with gender.
Training and further education	90% of employees should have used the training portal to register for courses. Provide an offer to all employees for training which leads to increased expertise in KLP's core business, pension, insurance and asset management. Increase awareness of KLP's corporate responsibilities in our own organisation.
Attractive as an employer	Be present at four different arenas for meetings with students and other job applicants. Proportion of employees that thinks KLP is a great place to work at 87%.

GRI table

Description of the individual GRI indicators may be found at <http://www.globalreporting.org/ReportingFramework/G3Guidelines/>

GRI chapter	GRI indicator	Page reference	Global Compact principle
Strategy and profile			
Strategy and analysis	1.1	4-5	Renewed
	1.2	4-5, 40-41	confirmation
Organisation profile	2.1, 2.4	Back cover	
	2.3, 2.6	43-44	
	2.2, 2.7	21-23	
	2.8	20-22, 35	
	2.9	4, 21	
	2.10	21, 27	
Information about the report	3.1 – 3.11, 3.13	Fold-in at the front	
	3.12	42	
Corporate governance, participation in external initiatives and commitment	4.1 – 4.3	43-44	
	4.4	39, 43	
	4.5	35	
	4.7, 4.10	Fold-in at the back	
	4.8, 4.12	6-7	
	4.9*	2	
	4.11*	6-7, 26	
	4.13*	34	
	4.14-4.17	24-25	
Management's approach	5	4-5, 6-7	Principles 1-10
-Economy		21-25	
-Environment		27-30	
-Labour practices and Decent work		35-39	
-Human rights		31-34	
-Society		31-34	
-Product responsibility		21-25	

Core indicators

Economy	EC1	21	
	EC2	26-30	
	EC3	35	
	EC4	22	
	EC5, EC7	35-36	
	EC6	33	
	EC8	22-23	
Environment	EN1*	27-28	Principles 7-9
	EN3 – EN7	28-29	
	EN16	30	
	EN18	28-30	
	EN22*	28	
	EN23-EN25, EN27, EN 28	26	
Labour practices and Decent work	LA1, LA2*, LA3	35	Principles 4-6
	LA4-LA6	39	
	LA7-LA14	38-39	
Human rights	HR1 – HR2	32-33	Principles 1-3
	HR3*	39	
	HR4	36	
	HR5 – HR7	31	
Product responsibility	PR1, PR3, PR7 – PR9	23	
	PR5	24 – 25	
Society	SO3	39	Principle 10
	SO4, SO7, SO8	33	

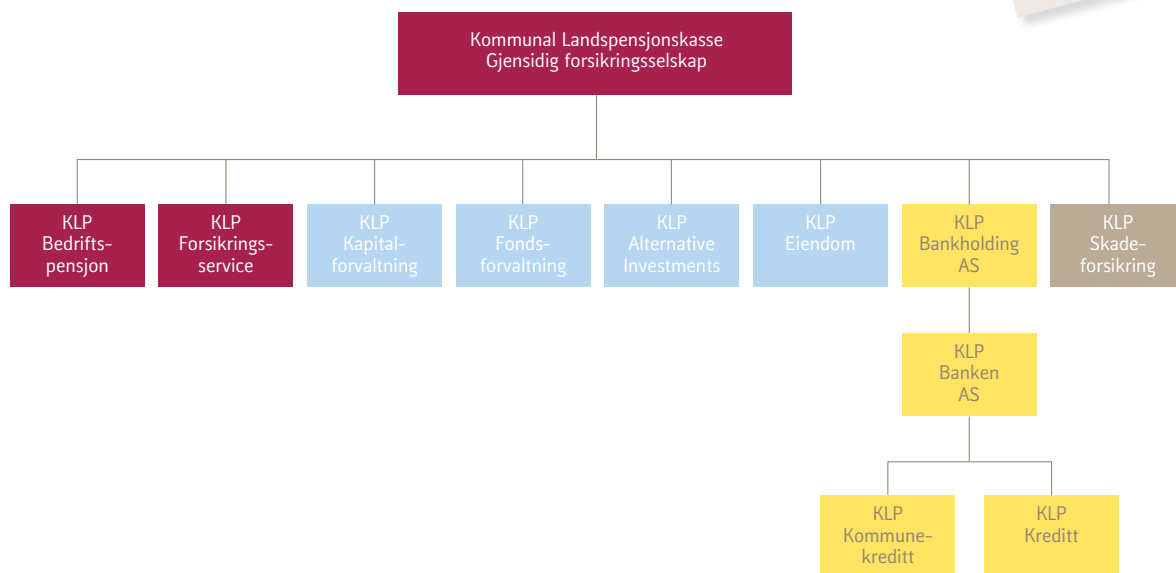
Supplementary indicators for the financial sector

Product portfolio	FS1	6-7	Principles 1-10
	FS2	24, 31-32	
	FS4	39	
	FS7	33	
	FS9	6, 31	
	FS10-FS12	31-32	

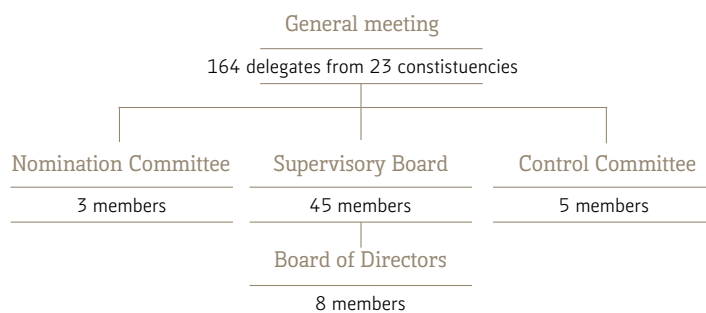
*No comprehensive description in this report. See also KLP Annual Report 2009 and www.klp.no

Organisation and management

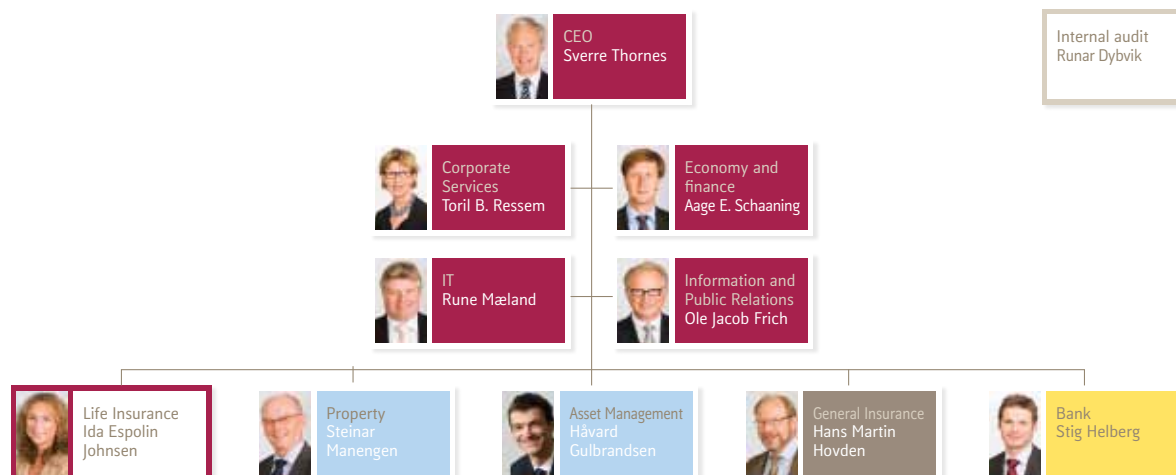
KLP supports the
The Norwegian
Code of Practice
for Corporate
Governance.



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The KLP Group

The parent company for the KLP group, Kommunal landspensjonskasse, is a mutual insurance company owned by customers who have a public sector pension agreement with KLP. The parent company has 8 wholly-owned subsidiaries. The head office for the parent company and all subsidiaries is located in Oslo. In addition, the parent company has one office in Bergen. KLP Eiendom, the group's property management company, has offices in Trondheim and subsidiaries in Copenhagen and Stockholm. The head office of KLP Banken is also in Trondheim.

KLP's governance structure

The General Meeting

Delegates to the General Meeting are elected in nomination meetings in 23 constituencies, where all owners have a voting right based on their contributions to the pension agreement.

The Supervisory Board

The General Meeting elects 24 representatives. 6 representatives are nominated by the employee organisations in proportion to the number of members with pension insurance in KLP. 15 representatives are elected by and among the employees of the KLP Group.

The Board of Directors

5 members with deputies are elected by the Supervisory Board and 2 members by and among KLP's employees. 1 member is nominated by the employee organisation which has the highest number of members with pension insurance in KLP. The Board of Directors adopts the company's ethical guidelines and considers the report section of the Sustainability Report. In 2009 the Board passed revised ethical guidelines for the Group. The Board has no specific training in CSR-related issues, nor has any particular evaluation of the Group's CSR work been undertaken.

The Control Committee

The Control Committee is elected by the General Meeting. The Control Committee supervises the activities of the company.

Corporate management structure

KLP's corporate management team comprises the managers of the different business areas and the CEO. The corporate management team is jointly responsible for the compilation of and compliance with the company's corporate responsibility strategy. The formal responsibility for the Group's CR lies with the Executive Vice President for Corporate Services. Operational responsibility, including development of expertise, strategy development and supervision regarding ethics and CR, lies with the Vice President for CR, who also is appointed Head of Environment for the Group. The Asset Management business area has operating responsibility for responsible investments.



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