

## **KMC Properties Transparency Act Statement 2023**

### **KMC Properties' structure, operations and human rights management systems**

KMC Properties ASA (KMC Properties) is a real estate company creating value by investing in industrial and logistical properties. KMC Properties maintains an industrial portfolio of 61 properties across the Nordics and in the Netherlands. KMC Properties manages commercial industrial and logistic properties that are rented out on a long-term basis and contracts entrepreneurs who carry out construction and renovation.

KMC Properties is committed to respecting human rights as defined in the [International Bill of Rights](#), the [ILO Fundamental Conventions on Labour Standards](#) and the [UN Guiding Principles on Business and Human Rights](#). The scope of commitment towards respecting human rights applies not only to direct employees and operations but further extends to the companies KMC Properties works with, contractors, and any who act on behalf of or otherwise represent KMC Properties. KMC Properties' commitment to human rights is consolidated in its [Human Rights Policy](#).

An explicit commitment toward human rights and human rights due diligence is grounded in KMC Properties' Human Rights Policy. In addition, KMC Properties maintains a [Supplier Code of Conduct](#) to manage supplier relationships and lay out clear supplier expectations covering topics including human rights, workers' rights, fair wages, environment, corruption and sanctions. In this code, due diligence expectations are extended to KMC Properties' suppliers including the disclosure of relevant human rights due diligence information to KMC Properties upon request. It also clearly lays the expectation for prompt remediation in the case of actual adverse impacts and states that repeated unwillingness of a supplier to improve its human rights practices provides cause to terminate contracts.

To ensure that KMC Properties works with suppliers that do not breach these expectations, a supplier evaluation questionnaire has been developed and is required of new high-value potential suppliers. This questionnaire requires information on a range of topics, including disclosures specifically regarding the suppliers' management of human rights issues.

KMC Properties remains committed to actively managing its human rights impacts in accordance with laws such as the Norwegian Transparency Act and best practices such as those found in the OECD Guidelines for Multinational Enterprises. KMC Properties seeks to continually improve upon its human rights performance across all operations and throughout its various business relationships.

This commitment can be seen through the provided human rights training for all KMC Properties' employees. In 2022, KMC Properties provided human rights training for its management team and key resources across the organisation. Furthermore, KMC Properties expects its contractors, third-party personnel and suppliers to provide similar training on human rights topics.

KMC Properties maintains multiple channels to raise concerns regarding actual or potential misconduct or wrongdoing including an [anonymous whistleblowing mechanism](#) hosted by external provider WhistleB.

## KMC Properties’ human rights due diligence

As a company within the larger real estate industry, KMC Properties recognizes that its business has direct and felt impacts on its tenants, the communities where its properties are located, and the construction sites where it builds future properties.

Working with external human rights advisors, KMC Properties has undertaken a saliency assessment to identify the issues on which to place the greatest focus within its human rights due diligence processes. Utilizing the severity/likelihood framework, the prioritised salient issues include:

| Salient issue                           | Relevancy in value chain  |
|---|---------------------------|
| Health and safety                       | Transportation            |
|   | Construction              |
|   | Tenants                   |
| Working conditions                      | Transportation            |
|   | Construction              |
| Social dumping/migrant workers          | Transportation            |
|   | Construction              |
| Forced labour                           | Transportation            |
|   | Construction              |
| Discrimination                          | Transportation            |
| Land rights                             | Local community           |
| Potentially unidentified salient issues | Sourcing of raw materials |

### Health and safety

Health and safety is a well-known concern within both construction and transportation. Poor health and safety can lead to serious injury or death and is accordingly a matter KMC Properties takes seriously. Within construction sites, KMC Properties has a strong health and safety record, effective oversight systems and regular inspections. KMC Properties is confident that it is doing what it can to reduce the risk to a minimum. However, given the seriousness of this issue, KMC Properties considers it salient in order to highlight its continued importance.

Regarding transportation, KMC Properties’ mapping process highlighted potential risks related to the Eastern European transportation companies in its supply chain. There have been associations in the past with Eastern European transportation companies and poor health and safety issues and because of this KMC Properties has decided to include this within its health and safety work. Going forward, KMC Properties will conduct a proper assessment of the transportation companies within its supply chain to identify the prevalence of any actual human rights impacts.

In addition, although KMC Properties does not interfere with its tenants' businesses, KMC Properties remains mindful that the properties it provides contribute to the maintenance of high health and safety standards. As such, KMC Properties seeks to work with its tenants to ensure health and safety measures within its properties are maintained.

### **Working conditions**

The risk of poor working conditions is especially high in labour-intensive industries where companies compete on flexibility, responsiveness and reliance on a low-skilled workforce. Pressures companies face in these industries may result in downward pressure on workers resulting in reduced wages and poor conditions in terms of rest breaks, working hours and overtime pay. Construction workers are often exposed to excessive sound and noise levels, thermal conditions from working outside, manual lifting and repetitive work. Excessive working hours, low pay and poor accommodation are also common risk factors in the industry. Proper equipment and protective gear are needed, as well as measures to mitigate negative health impacts as a result of manual and repetitive work, to alleviate permanent negative impacts on workers. KMC Properties is confident that the safeguards, including regular checks on construction sites, mean that workers on its sites do not suffer these adverse impacts. However, the impact is an inherent risk in the industry, and accordingly, KMC Properties has chosen to focus on it as a salient issue to highlight this issue's continued importance.

For the transportation industry, long hours and pay pressures also can result in poor access to facilities, accommodation, and unsafe working conditions. KMC Properties has identified the use of Eastern European transportation companies, which can be at increased risk of providing poor working conditions to their drivers. Going forward, KMC Properties will investigate these companies in greater detail to identify whether there are any actual adverse impacts on drivers.

### **Social dumping/migrant workers**

Social dumping occurs when a company intentionally hires foreign workers who accept sub-standard pay/working conditions compared to those common in the local labour market, leading to overall poorer working conditions and lower standards of health and safety. Social dumping mostly occurs in labour-intensive industries reliant on a low-skilled workforce. The risk of social dumping is even higher in industries reliant on migrant workers. Furthermore, migrant workers are significantly less likely to unionise compared to native workers. Consequently, the influence of trade unions may decrease in industries with strong and persistent labour immigration, potentially resulting in poorer working conditions for the total workforce.

In KMC Properties' construction sites, KMC Properties remains confident that its oversight mechanism means this adverse impact does not occur. However, KMC Properties wishes to remain vigilant about this and therefore considers it to remain a salient issue. With transportation, KMC Properties is aware that there is a high proportion of drivers being third-country nationals and will accordingly investigate further to see whether this leads to any adverse impacts within the transportation value chain.

### **Forced labour**

Companies that compete on responsiveness and flexibility and maintain a reliance on low-skilled workforces often use recruitment companies. These recruitment companies are at high risk of employing workers under forced labour conditions (e.g. through illegal recruitment fees, withholding wages and passport confiscation). Furthermore, migrant workers are particularly vulnerable to being subject to forced labour conditions due to poverty, language challenges and low education. Exploitation occurs

particularly in labour-intensive occupations with a high proportion of unskilled workers including in transportation and construction. Økokrim noted an increase in the reporting of illegal labour and exploitation of foreign workers in 2021. KMC Properties has not identified this occurring on its construction sites or in its transportation companies but has chosen to have this as a salient issue to ensure that attention continues to be placed on this issue.

### **Discrimination**

The transportation sector is heavily reliant on migrant workers, which may result in unfair hiring practices, pay disparities, workplace harassment, and unfavourable treatment of minority groups regarding promotions and professional development. Given the risk associated with a high share of third-national workers in Eastern European transportation companies and the use of recruitment agencies for hiring, the likelihood of discrimination and the associated consequences are considered significant. As such, KMC Properties will investigate these issues in the coming year.

### **Land rights**

KMC Properties owns properties in Northern Norway, including in areas where indigenous Sámi rights must be given increased attention and due diligence. KMC Properties has consulted with its current properties to map any ongoing potential conflicts and did not identify any. All new properties will continue to follow a detailed regulatory review process that explicitly includes consultation with relevant local indigenous governing bodies. KMC Properties places additional focus on remaining aware of traditional land uses of potential developments, particularly when considering building on or near reindeer grazing lands or cultural sites. KMC Properties remains committed to fully respecting indigenous rights and continuing close dialogue with these important stakeholders.

### **Potentially unidentified salient issues: sourcing of raw materials**

Steel, concrete, brick and timber often represent a significant share of building materials. For KMC Properties, steel makes up the majority of the sourced materials, whilst concrete, brick and timber are less frequently used and more country dependent. Due to KMC Properties using contractors, it has less insight than other companies into the countries of production for the raw materials used in construction. KMC Properties is aware that there are adverse impacts associated with the supply chains of these raw materials and will work with its contractors to clearly map its actual supply chains.

KMC Properties recognizes that human rights due diligence is not a one-off process. Accordingly, these six salient issues act as the foundation of its ever-evolving human rights due diligence processes. KMC Properties remains committed to further developing specific action plans and metrics pertaining to these six issues, with focus given both to risks in KMC Properties' own operations as well as in its supply chain.

### **Ongoing human rights due diligence**

Were KMC Properties to identify an actual adverse human rights impact related to its own operations or business relationships, it would quickly work to manage the situation and remedy any affected stakeholders. Appropriate care would be given to openly communicating the issue, any lessons learned, and actions taken to prevent reoccurrence in the future.

Specific next steps to continue to improve its human rights due diligence processes in the near future include further mapping KMC Properties' supply chain to better identify potential issues within

transportation and building materials supply chains. This will provide KMC Properties with a better understanding of its potential impact, allowing the prioritisation of appropriate and relevant actions.

### **Requests for information**

Requests for information regarding this Transparency Act statement or KMC Properties' human rights due diligence policies and practices at large can be made to [transparencyact@kmcp.no](mailto:transparencyact@kmcp.no)

21.03.2024

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As per the Transparency Act Section 5:

The enterprises shall publish an account of due diligence pursuant to Section 4. The account shall at least include:

**a)** a general description of the enterprise's structure, area of operations, guidelines and procedures for handling actual and potential adverse impacts on fundamental human rights and decent working conditions

**b)** information regarding actual adverse impacts and significant risks of adverse impacts that the enterprise has identified through its due diligence

**c)** information regarding measures the enterprise has implemented or plans to implement to cease actual adverse impacts or mitigate significant risks of adverse impacts, and the results or expected results of these measures.

The account shall be made easily accessible on the enterprise's website and may form part of the account on social responsibility pursuant to Section 3-3 (c) of the Accounting Act. The enterprises shall in annual reports inform of where the account can be accessed.

The account shall be updated and published no later than 30 June of each year and otherwise in case of significant changes to the enterprise's risk assessments. It shall be signed in accordance with the rules in Section 3-5 of the Accounting Act.