

Decision to exclude Elco Ltd

September 2021

Introduction

KLP and the KLP Funds (hereafter, "KLP") have decided to exclude the company Elco Ltd (hereafter, "Elco") from their investments due to unacceptable risk that the company, through its subsidiary Electra Ltd, is contributing to serious violations of the rights of individuals in situations of war or conflict. The decision is mainly based on the Council on Ethics' recommendation to the Government Pension Fund Global (SPU), published on September 2nd, 2021¹, when Norges Bank excluded the company.

Elco is an Israeli conglomerate with activities in areas such as energy supply, construction, real estate and consumer goods.

In June 2021, KLP excluded the subsidiary Electra Ltd on the grounds of an unacceptable risk of complicity in human rights violations in war and conflict situations through its affiliation with the Israeli settlements in the West Bank.²

According to information on its own website, Elco owns 49 percent of the shares in Electra,³ and refers to the company as its subsidiary: "Our subsidiary Electra Ltd completed the acquisition of two contractors ...".⁴ Furthermore, the same person is the CEO of Elco⁵ and the chairman of the board of Electra.

Recommendation from the Council on Ethics

The Council on Ethics recommendation has considered that there is "...an unacceptable risk that Electra, through its construction activities in connection with the Israeli settlements in the West Bank, contributes to serious violations of the rights of individuals in situations of war or conflict. Elco contributes to the same through its ownership in Electra". The Council on Ethics' position is that "the Israeli settlements in the West Bank have been built in violation of international law and that their existence and constant expansion causes significant harm and disadvantage to the area's Palestinian population".

The Council on Ethics recommendation states that:

On the basis of available information, the Council on Ethics has assessed whether there is an unacceptable risk that Elco and Electra will contribute to serious violations of individuals' rights in war or conflict situations.

¹ <https://www.nbim.no/no/oljefondet/nyheter/2021/beslutninger-om-utelukkelse2/>

² <https://www.klp.no/om-klp/samfunnsansvar/artikler/derfor-ekskluderer-klp-16-selskaper-etter-fn-rapport/Beslutning%20om%20C3%A5%20utelukke%20selskaper%20med%20tilknytning%20til%20bosetninge%20p%C3%A5%20Vestbredden.pdf>

³ <https://www.elco.co.il/#overview>

⁴ <https://www.elco.co.il/investors#letter>

⁵ <https://www.elco.co.il/#leadership>

*The Council on Ethics assumes that Elco owns just under 50 per cent of the shares in Electra and is the largest owner in the company, and that Elco refers to Electra as its subsidiary. Furthermore, the CEO of Elco is also the chairman of Electra. The Council on Ethics assumes that Elco has a decisive influence on the operations of Electra. **The Council on Ethics therefore considers that Elco can be said to be contributing to breaches of norms committed by Electra.***

*The Council on Ethics assumes that Electra has recently won a tender for the construction of a major road system whose primary purpose is to serve Israeli settlements in the West Bank, and that the company has also previously built roads with the same purpose. The Council on Ethics therefore considers that there is an unacceptable risk that Electra, through its construction activities in connection with Israeli settlements in the West Bank, contributes to serious violations of individuals' rights in war or conflict situations pursuant to section 3 letter b of the Guidelines. **Elco contributes to the same through its ownership in Electra.***

The Council remarks that the company has not replied to the Council's enquiries.

A more detailed analysis of the case is available in the publicly disclosed recommendation.⁶

KLP's guidelines and analysis

KLP considers human rights to be a separate ground for exclusion, since human rights are represented as a separate cornerstone of the UN Global Compact.⁷ This is in accordance with the guidelines of the Government Pension Fund Global (SPU).⁸

Paragraph 6.3 of KLPs *guidelines for KLP as a responsible investor* state that: "*KLP should exclude companies from its investments where there is an unacceptable risk that they could contribute to or be responsible for... serious violations of the rights of individuals in situations of war or conflict.*"⁹

The guidelines also state that KLP should follow the exclusions from the Government Pension Fund Global.

The reasoning behind the Council of Ethics recommendation to exclude Elco is well grounded and based on extensive sources. Therefore, KLP see no reason to deviate from their recommendation.

Recommendation

KLP and the KLP Funds exclude the company Elco Ltd from their investments due to an unacceptable risk that the company, through its subsidiary Electra Ltd, is contributing to serious violations of the rights of individuals in situations of war or conflict.

⁶ <https://files.nettsteder.regjeringen.no/wpuploads01/sites/275/2021/09/Electra-Ltd-og-Elco-Ltd-NO-13759.pdf>

⁷ [FNs Global Compact](#)

⁸ [Retningslinjer for observasjon og utelukkelse av selskaper fra Statens pensjonsfond utland](#)

⁹ [KLPs guidelines for KLP as a responsible investor](#)