

Decision to exclude Honeys Holdings Co. Ltd.

June 2021

Summary

KLP and the KLP Funds (hereafter, "KLP") have decided to exclude the company Honey Holdings Co. Ltd. (hereafter, "Honeys") from their investments due to unacceptable risk of systematic human rights abuses. The decision is mainly based on the Council on Ethics' recommendation to the Government Pension Fund Global (GPF), published on May 19, 2021¹, when Norges Bank excluded the company.

Honeys is a Japanese company that designs, produces and distributes women's clothes and accessories for women through its own brands in Japan and China. It is also a supplier to other major distributors in Japan. The company owns two garment factories in Myanmar.

KLP was not invested in Honeys at the time the exclusion decision was made.

Recommendation from the Council on Ethics

The Council on Ethics recommendation has considered that there is "...an unacceptable risk that the company is responsible for systematic human rights abuses.". The Council on Ethics guidelines state that there needs to be a clear relation between the company's operations and the violation for there to be an unacceptable risk that the company is involved in labor rights violations. In other words, the company must either have contributed to the violations or had information about the violations without seeking to prevent them.²

The recommendation to exclude Honeys is based on investigations into the working conditions at Honeys production facilities, which in KLPs view further strengthens their conclusions. The Council on Ethics recommendation states that:

Investigations into working conditions at these factories identified numerous labour rights violations, including harassment of workers and serious violations of fire safety and health and safety regulations. The investigations also revealed that, until recently, Honeys employed underage workers on the same terms as adults, widespread and illegal use of daily contracts and that employees are penalised financially for taking sick leave. The Council considers that Honeys actively restricts workers' freedom of association, by dismissing trade union leaders and members due to their participation in union activity. The company has also filed civil suit and criminal charges against a trade union leader on the grounds of this person's trade union activities.

Additionally, the Council on Ethics emphasizes the fact that Honeys denies many of the alleged norm violations. In the Council's opinion, this shows a pattern of behaviour indicating that the norm violations are systematic, and that the company, in practice, does not have a

¹ <https://etikkradet.no/honeys-holding-co-2/>

² [Guidelines for observation and exclusion of companies from the Government Pension Fund Global](#)

system capable of preventing, uncovering and rectifying labour rights abuses in its operations.

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

KLPs guidelines and analysis

KLP defines labor rights as a separate exclusion criterion, consistent with its status as a separate pillar under the UN Global Compact.³ This approach differs from that of the Ethical Guidelines for the GPF, which incorporate labor rights cases into the exclusion criterion for serious or systematic human rights violations. However, this distinction is more important in theory than in practice, as serious or systematic labor rights abuses often overlap with human rights violations.

Honeys was not part of KLPs investments at the time of exclusion, and therefore KLP has not analyzed the company prior to the publication of Norges Banks decision to exclude the company on the 19th of May 2021.

Honeys could become part of KLPs investment universe in the future, either if KLPs investment universe is expanded, or if the company for some reason is included in the current investment universe. Therefore, it is common practice for KLP to analyze companies on the basis of the Council on Ethics recommendations regardless of whether the company is part of KLPs investment universe or not. If KLP reach the same conclusions as the Council on Ethics, the company becomes part of KLPs list of excluded companies. This prevents Honeys from becoming a part of KLPs investment universe in the future.

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 or systematic violations of labour rights*"⁴

The reasoning behind the Council of Ethics recommendation to exclude Honeys 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 Honeys Holdings Co. Ltd from their investments due to an unacceptable risk of the company contributing to labor rights violations.

³ [Un Global Compact principles](#)

⁴ [KLPs guidelines for KLP as a responsible investor](#)