

Decision to exclude Oil & Natural Gas Corp Ltd

September 2021

Introduction

KLP and the KLP Funds (hereafter, "KLP") have decided to exclude the company Oil & Natural Gas Corp Ltd (hereafter, "ONGC") from their investments due to unacceptable risk that the company 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.

ONGC is an Indian oil company engaged in oil extraction in South Sudan. The company participates in two joint ventures, where the South Sudanese state oil company Nilepet is one of the business partners.

Since 2013, there has been a civil war in South Sudan, and abuses against the civilian population are well documented and have been extremely serious, such as mass murder, sexual violence and torture. The abuse has affected many people and many of the victims are children. The abuses were carried out, among other things, by the government in South Sudan by the military and the security service in the country. As a result of the very serious abuses, the UN Commission on Human Rights has recommended that the actors responsible be investigated for crimes against humanity and war crimes.

Recommendation from the Council on Ethics

The Council on Ethics' recommendation states:

The Council on Ethics recommends excluding Oil & Natural Gas Corp Ltd from the Government Pension Fund Global due to an unacceptable risk that the company contributes to serious violations of individuals' rights in war and conflict situations.

The Council on Ethics assumes that the company must exercise special care when operating in war and conflict situations where there is a known risk of contributing to very serious breaches of norms. This due diligence also applies to the selection of business partners. In this case, the demand for diligence is further emphasized by the fact that the oil industry in South Sudan is heavily militarized and that the violent conflict is largely driven by control over oil resources, including in the area where ONGC operates.

The Council on Ethics generally believes that it is difficult to imagine that that company can conduct oil activities in South Sudan under the current framework conditions without a very high risk of contributing to serious breaches of norms. By participating in the joint ventures, ONGC has, in the view of the Council on Ethics, accepted the risk of contributing to gross abuses by the governing authorities in order to facilitate oil activities in the region. In assessing the company's participation, the council emphasizes that over several years there has been extensive information about these abuses, and that this information must have been known to the company.

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

ONGC's affiliation with the responsible actors in the conflict is further strengthened by the fact that funds from Nilepet are channeled directly to military purposes outside normal budget processes. The security service is also directly involved in Nilepet's activities. The Council believes that ONGC, through these business partnerships, contributes to securing revenues and resources for the responsible actors in the conflict. These funds may have been used to finance violent actions against the civilian population.

The Council on Ethics confirms that they have been in contact with ONGC. A more detailed description of the case can be found in the Council on Ethics' recommendation.²

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.³ This is in accordance with the guidelines of the Government Pension Fund Global (SPU).⁴

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.*"⁵

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

KLP has on an independent basis engaged with the company on same matter due to risk for contributing to serious violations of the rights of individuals in situations of war or conflict.

The reasoning behind the Council of Ethics recommendation to exclude ONGC 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 Oil & Natural Gas Corp Ltd from their investments due to an unacceptable risk that the company is contributing to serious violations of the rights of individuals in situations of war or conflict.

² https://files.nettsteder.regjeringen.no/wpuploads01/sites/275/2021/09/Tilrading-ONGC-NOR_14516.pdf

³ [FNs Global Compact](#)

⁴ [Retningslinjer for observasjon og utelukkelse av selskaper fra Statens pensjonsfond utland](#)

⁵ [KLPs guidelines for KLP as a responsible investor](#)