

# Decision to exclude companies

December 2022

## 1 Introduction

According to *KLP's Guidelines for Responsible Investment and Guidelines for Responsible Investments and KLP mutual funds*<sup>1</sup>, companies that breach KLP's product- or behaviour-based criteria will be excluded from all KLP and KLP funds' portfolios.

In December 2022 KLP and the KLP funds have decided to exclude a total of 14 companies, on different exclusion criteria and based on the guidelines mentioned above. To read more about our work on exclusions please visit our [website](#).

## 2 Excluded companies by criteria

KLP's exclusions are based on data and analysis from our data provider MSCI Inc, publicly available company data (including annual reports), and dialogue with relevant companies.

The excluded companies are listed below under the relevant exclusion criteria and with the percentage of revenue (in brackets) from the excluded activity.

### 2.1 Gambling

**Exclusion threshold 5% revenue**

- **GB Group PLC**; Gambling (8%).

### 2.2 Thermal Coal

**Exclusion threshold 5% revenue from coal mining or power production from coal, or > 20 million tonnes extracted yearly**

- **Evergy Missouri West Inc**; Coal power revenue (30%)

### 2.3 Alcohol

**Exclusion threshold 5% revenue from production of alcohol**

- **Mitsubishi Shokuhin Co Ltd**; Alcohol (19%).

### 2.4 Weapon

**Weapons and key components of weapons which under normal use are in breach of fundamental humanitarian principles**

- **Heico Corp**, via its subsidiary Reinhold Industries Inc. is involved in production of Trident II (D5) which is a submarine-launched ballistic missile (SLBM) and key element of the U.S. strategic nuclear triad. The Company produces both advanced composite components and large hybrid metal-composite assemblies (such as missile body, nozzles and others). According to the company's website, Trident II (D5) is among the key programs the company participates in. The nature of the components the company produces via its subsidiary, and its involvement in Trident II (D5)

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<sup>1</sup> <https://www.klp.no/en/english-pdf/Guidelines%20for%20KLP%20as%20a%20responsible%20investor.pdf>

program, implies that the company is involved in production of central component to nuclear weapons, and it is hence in breach on KLP's weapon criteria.

- **Doosan Energibility Co. LTD**, through its wholly owned subsidiary of Doosan Babcock provides services directly supporting nuclear weapon systems via the KAD Nuclear partnership. KAD Nuclear is a consortium of Assystem in partnership with KBR and Doosan Babcock (currently Doosan Energibility) which will provide engineering and project management services to support the delivery of a major infrastructure program for HMNB Clyde. The latter is one of three operating bases in the United Kingdom for the Royal Navy and best known as home for Britain's nuclear submarines armed with Trident missiles. The company defines its deliveries in the project as essential to the operations of nuclear weapon. As such, the company is in breach of KLPs nuclear weapons criteria with regards to providing support services related to controversial weapons.
- **Leonardo SpA** has been excluded from KLP and the KLP-funds' investments since January 2016 due to involvement in production of nuclear weapons. Since June 2017 the basis for exclusion was changed to unacceptable risk of gross corruption. On 15th of December 2022 the Government Pension Fund Global has decided to discontinue observation of the company, since the Council considers that the risk of gross corruption in the company's operations no longer is unacceptable. KLP follows the Council's recommendations. New assessment done by KLP concludes that Leonardo SpA is still in breaches with KLP and KLP-funds weapon criteria for production of central components to nuclear weapons. The basis for the exclusion of Leonardo SpA from KLP and the KLP funds' investments is changed as of December 2022 from unacceptable risk of gross corruption to involvement in production of nuclear weapons.

## 2.5 Corruption

### **Unacceptable risk that the company is involved in severe corruption**

- **JBS USA LUX SA / JBS USA Food Co / JBS USA** is a finance company that through the complex structure of the JBS group can be linked to financing of JBS SA, which is excluded for corruption.

## 2.6 Environmental destruction

### **Unacceptable risk that the company contributes to or cause severe environmental damage**

- **Barrick Gold International Holdings Ltd**, is a subsidiary of Barrick Gold Corporation, which is excluded based on the recommendation of the Council of Ethical council/NBIM (2009). The subsidiary is engaged in the same activities as the parent company with similar risk of causing severe environmental damage.

## 2.7 Human Rights

### **Unacceptable risk that the company contributes to human rights violations**

- **Midwest Connector Capital Co LLC**. The parent company (Energy Transfer Operating LP) is excluded based on unacceptable risk that the company contributes to violation of human rights in connection with the Dakota Access Pipeline. The daughter (Midwest Connector Capital) is involved in financing of Dakota Access, with similar risk of contributing human rights violations.
- **Phillips 66 Co**. The parent company (Phillips 66) is excluded based on unacceptable risk that the company contributes to violation of human rights in connection with the Dakota Access Pipeline. Financial data indicate that the company does not have any activity beyond managing the debt of the parent company. It is hence considered that

the daughter company (Phillips 66 Co) has a similar risk of contributing human rights violations.

- **Cogyte Software Ltd.** Following the recommendation of the Council of Ethics made public by NBIM 15. December 2022, the company is excluded due to unacceptable risk that the company contributes to human rights violations.

## 2.8 The rights of individuals in situations of war or conflict

### **Unacceptable risk that the company contributes to violation of human rights in situations of war and conflict**

- **Africa Israel Residences Ltd**, is a subsidiary of Danya Cebus Ltd which is excluded based on Unacceptable risk that the company contributes to violation of human rights in situations of war and conflict. The subsidiary is engaged in the same activities as the parent company with similar risk of breaching human rights standards.
- **Electra Real Estate Ltd**, is a subsidiary of DaElco Ltd which is excluded based on Unacceptable risk that the company contributes to violation of human rights in situations of war and conflict. The subsidiary is engaged in the same activities as the parent company with similar risk of breaching human rights standards.
- **PTT PCL** and the subsidiary **PTT Oil and Retail Business PCL**. Following the recommendation of the Council on Ethics, made public by NBIM 15. December 2022, the companies are excluded due to an unacceptable risk that the companies are contributing to serious violation of the rights of individuals in situations of war and conflict. The recommendation relates to the companies' activities in Myanmar.

## **3 Decision**

KLP and KLP funds exclude the 14 companies listed above from all of investments effective December 2022.