

Decision to exclude companies

January 2023

1 Introduction

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

This decision is based on the Council on Ethics' recommendation and the Government Pension Fund Global (SPU) decision to exclude the companies AviChina Industry & Technology Co Ltd and Bharat Electronics Ltd, which was published on January 24th, 2023.

2 KLP's Guidelines and practice

KLP looks to the same factors as the Council on Ethics for the Norwegian Government Pension Fund - Global in determining whether "there is unacceptable risk that the companies are contributing to or is itself responsible for (...) sales of weapons to states in armed conflicts, where the weapons are used in ways that constitute serious and systematic breaches of the international rules on the conduct of hostilities".

KLP makes exclusion decisions based on whether there is an unacceptable risk for ongoing or future violations, not on past violations alone. This approach highlights that KLP's goal is not to "punish" companies, but to ensure that KLP does not contribute to violations through its investments.

3 Analysis

Like the Council on Ethics, KLP and the KLP funds exclude companies where there is an unacceptable risk that the company contributes or is responsible itself for sales of weapons to states in armed conflicts where weapons are used in ways constituting serious and systematic breaches of the international rules on the conduct of hostilities.

The Council on Ethics has assessed, and SPU decided to exclude the following companies according to the above outlined guideline:

- AviChina Industry & Technology Co Ltd
- Bharat Electronics Ltd

The background for the decision is sales of light airplanes and other military material respectively to the military in Myanmar. The assessment and justification from the Council on Ethics² is comprehensive and thorough, and KLP finds no reason to deviate from the conclusions to exclude the companies.

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

² <https://www.nbim.no/en/the-fund/news-list/2023/decisions-on-exclusion/>

4 Decision

KLP and the KLP funds exclude the following companies from its investments from January 2023 due to “unacceptable risk that the companies are selling weapons to a state that uses these weapons in ways that constitute serious and systematic breaches of the international rules on the conduct of hostilities”.

- AviChina Industry & Technology Co Ltd
- Bharat Electronics Ltd