

# Decision to exclude company that contribute to or causes severe environmental damage

September 2022

## 1 Introduction

According to Guidelines for KLP as a responsible investor KLP should exclude from its investments any companies that are associated with gross and/or systematic violations of generally accepted standards of business conduct.

This decision is based on the Council on Ethics' recommendation and the Government Pension Fund Global (SPU) decision to exclude the companies NHPC Ltd and Young Poong Corp, which was published on December 21st 2022.

## 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 to categorize environmental damage as severe:

- The damage is significant.
- The damage causes irreversible or long-term effects.
- The damage has considerable negative consequences for human life and health.
- The damage is the result of violations of national law or international norms.
- The company has neglected to act in order to prevent damage.
- The company has not implemented adequate measures to rectify the damage.
- It is probable that the company's unacceptable practice will continue

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 to or causes severe environmental damage.

The Council on Ethics has assessed, and SPU decided to exclude the following companies due to an unacceptable risk that the company contribute to or cause severe environmental damage:

- NHPC Ltd
- Young Poong Corp

The assessment and justification from the Council on Ethics is comprehensive and thorough, and KLP finds no reason to deviate from the conclusions to exclude the companies.

## 4 Decision

KLP and the KLP funds exclude the following companies from its investments from September 2022 due to an unacceptable risk that the companies contribute to or cause severe environmental damage.

- NHPC Ltd
- Young Poong Corp