

# Decision to include Precious Shipping PLC

## September 2021

### Introduction

Precious Shipping PLC was excluded due to unacceptable risk that the company contributed to serious environmental damage and gross violations of human rights. The decision is largely based on the Council on Ethics' recommendation to lift the exclusion from the Government Pension Fund Global (SPU), which was published on 1 July 2021.<sup>1</sup>

Precious Shipping PLC is a Thai shipping company that mainly owns and operates bulk carriers. The Council on Ethics announced its decision to exclude the company on 16 January 2018. KLP and the KLP funds (hereafter referred to as KLP) decided to exclude the company in January 2018 based on the Council on Ethics' recommendation.

The basis of the Council on Ethics' assessment at this time was that Precious Shipping PCL had for several years disposed of obsolete ships by sending them for scrapping on beaches in Bangladesh and Pakistan where working conditions are very poor, and the pollution of the environment significant. The Council considered that the company, by disposing of ships for dismantling in this way, could be said to be contributing to gross human rights violations and serious environmental damage.

### Recommendation from the Council on Ethics

The Council on Ethics continuously monitors information about ships being cut down in Pakistan and Bangladesh and has not found information that Precious Shipping PCL has disposed of ships for scrapping there after 2016. This information is confirmed by the company to the Council on Ethics. It has thus been four years without the company having sold additional ships for *beaching* and the company has no current plans to scrap ships. In addition, the company has intended to scrap in a responsible manner going further.

A more detailed description of the case can be found in the Council on Ethics' recommendation.<sup>2</sup>

### KLP's guidelines and analysis

Section 6.3 of the "KLP's guidelines as a responsible investor" states that:

KLP shall exclude companies from investments where there is an unacceptable risk that the company contributes to or is itself responsible for...

- gross or systematic human rights violations...
- serious environmental damage

The wording of this provision is identical to the wording of the Guidelines for observation and exclusion from the Government Pension Fund Global.

The reasoning in the Council on Ethics' recommendation is well-founded and includes extensive source material. KLP therefore sees no reason to deviate from their conclusion.

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<sup>1</sup> <https://etikkradet.no/precious-shipping-pcl-opphevelse-av-utelukkelse/>

<sup>2</sup> <https://files.nettsteder.regjeringen.no/wpuploads01/sites/275/2021/06/Precios-Shipping-opphev-NO-13655.pdf>

## Recommendation

KLP and the KLP funds recommend including Precious Shipping PLC on the basis that the company no longer contributes to environmental damage and gross violations of human rights.