

Decision to exclude Li Ning Co Ltd

March 2022

1 Introduction

KLP and the KLP Funds (hereafter, "KLP") have decided to exclude the company Li Ning Co Ltd (hereafter, "Li-Ning") from their investments due to an unacceptable risk that the company is contributing to serious human rights abuses in Xinjiang, China. The decision is mainly based on the Council on Ethics' recommendation to the Government Pension Fund Global (SPU), published on March 7th, 2022¹, when Norges Bank excluded the company.

Li-Ning is a Chinese company that manufactures and sells sports clothing and equipment. The company is listed on the Hong Kong Stock Exchange.

2 Recommendation from the Council on Ethics

The Council on Ethics recommendation has considered that there is "...an unacceptable risk that the company is contributing to serious human rights abuses in China's Xinjiang Uyghur Autonomous Region."

The Council on Ethics reports that Xinjiang is a region in northwest China where around 45 per cent of the population belong to the Uyghur ethnic minority. In recent years, the Chinese government has significantly stepped up security measures in the region, partly in the form of an extensive surveillance system. It has been reported that over a million Uyghurs and other ethnic minorities have been placed in internment camps.

The Council on Ethics recommendation states that:

According to company profiles and adverts on several Chinese websites, Li-Ning signed a cooperation agreement with the company Xinjiang Jinfujie Clothing Co Ltd (Jinfujie) in 2017. According to the websites, the agreement was intended to make Jinfujie Li-Ning's "production base". Jinfujie is a company that seeks to help implement the government's antipoverty policy in Xinjiang. Allegedly, the company manufactures inside one of the internment camps, the Kashgar Education and Training Centre. Jinfujie also has production facilities in Xinjiang, which are said to have taken on many workers through government programmes targeting ethnic minorities. The company's management have experience from the armed forces, and the workers are said to be subject to "military-style" educational training at the same time as the company seeks to change the workers' ideology.

Job adverts describing the business relationship between Jinfujie and Li-Ning were apparently posted by Jinfujie in 2019 and 2020. Information about Li-Ning is part of Jinfujie's corporate profile on the websites where the adverts were posted and was repeated in the adverts themselves. The business relationship between the two companies is also described in a post on the social media platform Meipian, which shows pictures and video footage of Uyghurs working for Jinfujie. The workers are dressed in grey and orange uniforms and are assembled on parade while they shout slogans.

¹ <https://etikkradet.no/li-ning-co-ltd-2/>

In a 2020 report from the Australian Strategic Policy Institute, Li-Ning is mentioned as one of several businesses that purchase items from two other companies linked to forced labour in Xinjiang, Changji Esquel Textile Co. Ltd (Esquel) and Victory City International Holding Ltd (Victory City). While Esquel is said to have had Uyghurs working at one of its factories in Xinjiang, a subsidiary of Victory City is said to have taken on workers from Xinjiang elsewhere in the country. With regard to the purchase of cotton from Xinjiang, Li-Ning has publicly stated that it will continue doing so despite allegations of forced labour. It has also been reported that the company marks its products as “made of Xinjiang cotton”.

The Council remarks that the company has not replied to the Council’s enquiries.

A more detailed analysis of the case is available in the publicly disclosed recommendation.²

3 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 or systematic violations of human rights, such as murder, torture, deprivation of liberty, forced labour, the worst forms of child labour, and other serious or systematic violations of labour rights.*"⁵

The reasoning behind the Council of Ethics recommendation to exclude Li-Ning is well grounded and based on extensive sources. Therefore, KLP see no reason to deviate from their recommendation.

4 Recommendation

KLP and the KLP Funds exclude the company Li Ning Co Ltd from their investments due to an unacceptable risk that the company is contributing to serious human rights abuses in Xinjiang, China.

² <https://files.nettsteder.regjeringen.no/wpuploads01/sites/275/2022/03/Tilrading-Li-Ning-ENG17500.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](#)