pressemelding

Oslo, 21 June 2016

36 new companies excluded, 1 reincluded

From December 2015 to June 2016, KLP has excluded a further 36 companies. 31 of the companies have been excluded with reference to the coal criterion; two companies have been excluded for corruption and one for violation of other ethical norms; one company has been excluded with reference to the weapons criterion; and one has been excluded for involvement in tobacco. One company has been reincluded.

KLP has concluded its semi-annual review of its holdings in light of KLP and the KLP Funds' guidelines for responsible investment. A further 36 companies have been excluded with effect from June 2016.

KLP has excluded an additional 31 companies based on their coal-based activities.[1] These are: Aboitiz Power Corp., AES Gener SA, Allete Inc., Appalachian Power Co., Capital Power Corp., CESC Ltd., Drax Group PLC, DTE Energy Co., Dynegy Inc., Electricity Generating PCL, Gujarat Mineral Development Corp. Ltd., HK Electric Investments Ltd., Hokkaido Electric Power Co. Inc., IDACORP Inc., Indiana Michigan Power Co., Lubelski Wegiel Bogdanka SA, MGE Energy Inc., New Hope Corp. Ltd., Northern States Power Co. MN, OGE Energy, Okinawa Electric Power Co. Inc./The, PNM Resources Inc., Public Power Corp. SA, Public Service Co. of Colorado, Public Service Co. of New Mexico, Southwestern Public Service Co., Union Electric Co. (d/b/a Ameren Missouri), Westar Energy, Inc., Whitehaven Coal Ltd., Wisconsin Electric Power Co. and Xcel Energy.

In April 2015, Norges Bank announced the exclusion of 52 coal companies. Of these, KLP and the KLP Funds had already excluded 25 from their investments. Seven companies were included in KLP's portfolios, and the shares in these have now been sold. KLP had no investments in 20 of the companies. KLP has excluded four additional companies that, according to the latest available year-end financial statements, derived over 30 per cent of their revenues from coal.

> "Since KLP's initial exclusion of coal companies, many investors have followed suit, and several companies have divested their coal businesses. To achieve the ambitions set out in the global climate agreement, we must reduce the level of coal consumption. So a collective shift away from coal as an investment and energy source is

[1] Coal companies are defines as those that derive 30 per cent or more of their revenues from coal-based operations or companies that derive 30 per cent or more of their revenues from power generation, of which 30 per cent of the power mix derives from coal.

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> positive," says Jeanett Bergan, head of responsible investment at KLP Kapitalforvaltning.

Petrobras and ZTE

KLP has decided to exclude ZTE Corp. on the basis of the *Recommendation to exclude ZTE Corp. from the Norwegian Government Pension Fund Global (GPFG).*[2] The recommendation was published on 7 January 2016.[3] The GPFG's Council on Ethics recommends the exclusion of ZTE "on the grounds of an unacceptable risk of gross corruption". Having assessed the matter, KLP finds no reason to deviate from the Council on Ethics' recommendation to Norges Bank, and has decided to exclude ZTE Corp. from its investments.

KLP has decided to exclude Petróleo Brasileiro S.A. (Petrobras) from its investments. Petrobras is involved in the largest corruption case in Brazil's history.[4] Over a 10-year period, the company's contracts with suppliers have regularly been inflated by three per cent of the contract amount, with the surplus paid to Brazilian politicians, political parties and members of the company's management. Despite the company's many initiatives and public scrutiny, KLP remains concerned that there is an unacceptable risk of future corruption within the company.

> "The scale of the case, the size of the amounts involved and the length of time this has been going on are without parallel anywhere in the world. There are still several initiatives we would like to see the company implement, including an investigation into potential corruption in its operations outside Brazil (the company has operations in many countries in which the risk of corruption is exceedingly high), a robust and tailored anti-corruption training programme, due diligence investigations of suppliers, a strengthening of the board and executive management's anti-corruption competence, and a tone from the top in line with the company's anti-corruption commitments," says Bergan.

Other companies excluded in this round are San Leon Energy plc (violations of other ethical norms), ST Engineering Financial (weapons) and HM Sampoerna (tobacco). KLP has not had investments in these companies, but they have been added to the list because they are excluded from the GPFG's investments or because they have become part of KLP's investment universe and underlying indices.

Total SA reincluded

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[2] Council on Ethics (24 June 2015), *Recommendation to exclude ZTE Corp. from the Norwegian Government Pension Fund Global.* URL: http://etikkradet.no/files/2016/01/Tilrådning-ZTE-24.-juni-2015.pdf.

[3] Norges Bank Investment Management, *Excluded companies.* URL: http://www.nbim.no/ansvarlighet/utelukkelse-av-selskaper/.

[4] "Corruption in Brazil: the big oily", *The Economist* (3 January 2015). URL: http://www.economist.com/news/americas/21637437-petrobras-scandal-explained-big-oily.

The exclusion of the oil company Total SA has been rescinded, since the company has terminated its oil exploration and reconnaissance off the coast of Western Sahara. KLP excluded Total in June 2013 based on its association with violations of fundamental ethical norms.[5] Total's subsidiary, Total E&P Maroc, was engaged in exploration and reconnaissance activities related to potential oil and gas deposits on the continental shelf off the coast of Western Sahara. In the opinion of KLP and the KLP Funds, this constituted association with violations of fundamental ethical norms.

Total has now confirmed that its licence for oil exploration and reconnaissance off the coast of Western Sahara expired in December 2015, and that it has not been renewed.[6] Total has also assured KLP that it has no plans to resume this activity in the future. The grounds for exclusion therefore no longer exist.

> "We commend Total for no longer engaging in oil exploration off the coast of Western Sahara. That has been the objective of our dialogue with the company. With respect to non-self-governing territories, it is extremely difficult to justify exploration for and extraction of non-renewable natural resources within the framework of international law," says Bergan.

Facts
To date, KLP has excluded 159 companies for violations of its guidelines for responsible investment. Seven companies can be linked to human rights violations, three to violations of the rights of individuals in wars and conflicts, seven to violations of other fundamental ethical norms, one to labour rights violations, three to corruption and 21 to serious environmental damage. A further 23 companies can be linked to the production of controversial weapons, 25 to the production of tobacco and 73 to the extraction of coal or coal-fired electricity generation.

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[5] KLP, *Decision to exclude Total S.A.* (3 June 2013). URL: https://www.klp.no/polopoly_fs/1.24654.1391185123!/menu/standard/file/Total_beslutning%20om%20utelukkelse_03062013_NORSK_korrigert.pdf.

[6] Total, *Our reconnaissance contract for the Anzarane offshore area off Western Sahara territory*, http://csr-analysts.total.com/node/504.