



Decision to rescind the exclusion of Cemex SAB de CV

8 December 2015

Introduction

KLP has decided to rescind the exclusion of Cemex SAB de CV (Cemex) from investment by KLP and the KLP Funds with effect from 8 December 2015. Cemex is a global supplier of building materials.¹ The company was established in Mexico, and now has operations in more than 50 countries.²

KLP excluded Cemex in June 2015.³ Through a subsidiary, Cemex quarried rock from Area C on the West Bank under license from the Israeli authorities. In KLP's assessment, this activity represented an unacceptable risk of violating fundamental ethical norms. Cemex has now confirmed that the company sold its shareholding in the quarry in question, the Yatir quarry, in June 2015.⁴ The company explained its decision to sell as follows:

Regarding the quarry "Yatir", as part of the general strategy of Cemex that includes the sale of assets, CEMEX is no longer associated to the third party that manages and exploits the quarry.⁵

This has also been confirmed by independent sources that are critical of the company.⁶

Cemex still has operations in the West Bank, including the operation of concrete factories.⁷ However, these activities were not the basis for KLP's exclusion, which was based specifically on

¹ CEMEX, *About Us*, <http://www.cemex.com/AboutUs/WorldwideLocations.aspx>.

² CEMEX, *Worldwide Locations*, <http://www.cemex.com/AboutUs/WorldwideLocations.aspx>.

³ KLP, *Decision to exclude Cemex SAB de CV and HeidelbergCement*, 1 June 2015. URL: http://english.klp.no/polopoly_fs/1.31195.1434009511!/menu/standard/file/Heidelberg%20og%20CEMEX%20beslutning%20om%20utelukkelse%20ENG.pdf.

⁴ CEMEX response (unofficial translation by Business & Human Rights Resource Centre), 9 September 2015. URL: <http://business-humanrights.org/en/cemex-response-unofficial-translation-by-business-human-rights-resource-centre>.

⁵ Ibid.

⁶ See, for example, Who Profits, *Cemex's new West Bank policy: drops mining, continues production in settlements*, September 2015. URL: <http://whoprofits.org/content/cemex%E2%80%99s-new-west-bank-policy-drops-mining-activity-continues-production-settlements>.

⁷ CEMEX response (unofficial translation by Business & Human Rights Resource Centre), 9 September 2015.



the extraction of non-renewable natural resources from occupied territory.⁸ According to KLP's guidelines for responsible investment, economic activity in occupied territory is, in and of itself, not sufficient grounds for exclusion, nor is the sale of generic products. Since Cemex is no longer involved in the quarrying of rock from occupied territory, the grounds for KLP's exclusion no longer exist.

Dialogue

KLP has not been in direct contact with Cemex since the company was excluded from KLP's investment portfolios. However, Cemex has confirmed the sale of the Yatir quarry through, among other things, the company's account of its activities in occupied territory published by the Business and Human Rights Resource Centre.⁹

Assessment

Cemex has not said the sale of its shareholding in the Yatir quarry was a consequence of the criticism levelled at the company, but has not announced plans to resume the extraction of non-renewable natural resources from the West Bank. Cemex developed its human rights policy in 2014,¹⁰ nine years after its acquisition of RMC Group plc, which resulted in Cemex's shareholding in the Yatir quarry.¹¹ This policy contains no specific references to this kind of activity, but results at the very least in the company recognising that the potential adverse impacts on the human rights of interested parties must be assessed in connection with the start-up of new business activities.¹²

The other activities that the company currently has in the area are not covered by the criteria for exclusion set out in KLP's guidelines for responsible investment.

In brief

In KLP's assessment, the grounds for exclusion no longer exist. This fact will in the majority of cases be sufficient for re-inclusion of a company that has previously been excluded. Should Cemex nevertheless resume the extraction of non-renewable natural resources from occupied territory in the future, KLP will once again consider exclusion of the company from its investment portfolios.

⁸ KLP, *Decision to exclude Cemex SAB de CV and HeidelbergCement*, 1 June 2015.

⁹ "CEMEX response (unofficial translation by Business & Human Rights Resource Centre)", 9 September 2015.

¹⁰ Ibid.

¹¹ "Cemex response re alleged violations of international law and contravention of codes of conduct and conventions regulating the activities of multinational corporations", 28 June 2011. URL: <http://business-humanrights.org/media/documents/company-response-cemex-27-jun-2011.doc>.

¹² Cemex, *Cemex Policy Statement* (2014). URL: <http://www.cemex.com/SustainableDevelopment/files/CemexPolicyStatement.pdf>.



Decision

Based on its assessment that the grounds for exclusion no longer exist, and the fact that the company has no specific plans to resume the extraction of non-renewable natural resources from occupied territory, KLP has decided to rescind its exclusion of Cemex from investment by KLP and the KLP Funds with effect from 8 December 2015.