



Exclusion of coal companies

June 2017

KLP and the KLP Funds (KLP) hereby exclude a further eight companies:

- CEZ AS
- Eneva SA
- Great River Energy
- Huadian Energy Co, Ltd
- Malakoff Corp Bhd
- Otter Tail Corp
- PGE Polska Grupa Energetyczna SA
- SDIC Power Holdings Co. Ltd.

Norway's Government Pension Fund Global (GPF) excluded 10 coal companies on 7 March 2017¹. Two of these 10 companies had already been excluded by KLP. KLP has reviewed the GPF's decision regarding exclusion and finds no reason to deviate from it. It has therefore been decided to exclude the remaining eight companies and bond-issuing subsidiaries. The decision has led to the sale of shares in CEZ AS and PGE Polska Grupa Energetyczna SA.

Information about the companies

It is important to make clear at the outset that the document in which Norges Bank explains its decision does not state which figures the bank has used. Norges Bank describes the coal criterion in general terms, without specifying which companies have been excluded on the grounds that they derive 30 per cent or more of their revenues from coal, and which because coal constitutes 30 per cent or more of their business activity. Nor are figures given for the companies' revenues and/or power production. KLP therefore provides information on these companies' revenues from coal and share of coal-fired power production based on figures from Trucost.

CEZ AS

- 13.6% of revenues from coal
- 47.75% of power production derives from coal

CEZ AS is a vertically integrated power company headquartered in the Czech Republic. The Czech Republic is the largest owner, with a shareholding of 70 per cent. The company generates electricity from nuclear power, coal, natural gas, hydropower and other renewable energy sources. The company had been part of KLP's investment universe prior to its exclusion.²

Great River Energy

- 32.83% of revenues from coal
- 42.92% of power production derives from coal

¹ <https://www.nbim.no/contentassets/08b0787eae8a4016bd06bfeba0067e32/third-tranche-of-coal-exclusions---grounds-for-decision.pdf>

² <https://www.cez.cz/en/cez-group/cez.html>



Great River Energy is a vertically integrated power company headquartered in Minnesota, USA. The enterprise is organised as a producers' cooperative with 28 member companies.³ The company generates electricity from coal, natural gas and oil. The company was part of KLP's investment universe prior to its exclusion, though KLP had no investments in it.

PGE Polska Grupa Energetyczna SA

- 41.65% of revenue from coal
- 92.34% of power production derives from coal

PGE is a vertically integrated power company located in Poland. The company is the country's largest producer and supplier of electrical power. The company generates electricity from coal, natural gas, wind and hydropower.⁴ The company was part of KLP's investment universe prior to its exclusion.

Eneva SA

- 49.93% of revenue from coal
- 50% of power production derives from coal

Eneva SA is a vertically integrated power company headquartered in Rio de Janeiro, Brazil. The company generates electricity from coal, natural gas, oil and solar power.⁵ The company was not part of KLP's investment universe at the time of its exclusion.

Huadian Energy Company Ltd

- 64% of power production capacity derives from coal

Huadian Energy Company Ltd is a power company in the Huadian Group. Huadian Power International, another subsidiary of the same group, has already been excluded by KLP with reference to the coal criterion. Huadian Energy Company Ltd generates and distributes electrical power, and mines coal via a subsidiary.⁶ KLP's data supplier found only the company's coal-fired power production capacity, not actual coal-fired power production. Our decision to exclude the company rests on this figure. The company was not part of KLP's investment universe at the time of its exclusion.

Malakoff Corporation Bhd

- 34.46% of revenue from coal
- 35.83% of power production derives from coal

Malakoff Corp Bhd is a vertically integrated power company headquartered in Malaysia. The company generates electricity from coal, natural gas, oil and wind.⁷ The company was not part of KLP's investment universe at the time of its exclusion.

Otter Tail Corporation

- 36.63% of revenue from coal
- 77.83% of power production derives from coal

Otter Tail Corp is a power company that generates and distributes electricity in Minnesota, North Dakota and South Dakota, USA. The company generates electricity from coal, natural gas, oil, wind and hydropower, with coal accounting for 77.83 per cent of the energy mix.⁸ The company was not part of KLP's investment universe at the time of its exclusion.

³ <http://greatriverenergy.com/#top-nav>

⁴ <http://www.gkpgge.pl/en/pge-group/who-we-are>

⁵ <http://www.eneva.com.br/en/who-we-are/Paginas/default.aspx>

⁶ <http://www.reuters.com/finance/stocks/companyProfile?symbol=600726.SS>

⁷ <http://www.malakoff.com.my/>

⁸ <http://www.ottertail.com/index.cfm>



SDIC Power Holdings Company Ltd

- 38.69% of revenue from coal
- 33.93% of power production derives from coal

SDIC Power Holdings Company Ltd⁹ is a subsidiary of China's SDIC Group (State Development & Investment Corp). The company operates several power plants and generates electricity from coal, wind, solar and hydropower. The company was not part of KLP's investment universe at the time of its exclusion.

Decision

KLP has reviewed the GPFG's decision with regard to exclusion and finds no grounds to deviate from it. KLP has therefore decided to exclude CEZ AS, PGE Polska Grupa Energetyczna SA, Eneva SA, Great River Energy, Huidan Energy Co Ltd, Malakoff Corp Bhd, Otter Tail Corporation and SDIC Power Holdings Company Ltd.

List of companies excluded by the GPFG on 7 March 2017

Excluded by GPFG on 7 March 2017	Country	Excluded by KLP
CEZ AS	Czech Republic	Yes (New!)
Eneva SA	Brazil	Yes (New!)
Great River Energy	USA	Yes (New!)
HK Electric Investments & HK Electric Investments	Hong Kong	Yes
Huidan Energy Co Ltd	China	Yes (New!)
Korea Electric Power Corp	South-Korea	Yes
Malakoff Corp Bhd.	Malaysia	Yes (New!)
Otter Tail Corp	USA	Yes (New!)
PGE Polska Grupa Energetyczna SA	Poland	Yes (New!)
SDIC Power Holdings Co Ltd	China	Yes (New!)

⁹ <http://www.sdicpower.com/#page1>