



Decision to rescind the exclusion of Total S.A.

June 2016

Introduction

KLP has decided to rescind its exclusion of Total S.A. (“Total”) from investment by KLP and the KLP Funds, with effect from 1 June 2016. Total is a French oil and gas company with operations in more than 130 countries.¹ The company is involved along the entire value chain, from the extraction of oil and gas, via refining to the production of fuels, including aviation fuel, heating oil, lubricants, bitumen, specialty fluids and chemically based products.²

KLP excluded Total in June 2013 due to its association with violations of fundamental ethical norms.³ Total’s subsidiary, Total E&P Maroc, had engaged in exploration and reconnaissance activities on the continental shelf off the coast of Western Sahara. This was deemed by KLP and the KLP Funds to constitute association with violations of fundamental ethical norms. Investment in Total S.A. therefore contravened KLP and the KLP Funds’ guidelines for responsible investment.

Total has now confirmed that its permit for oil exploration and reconnaissance off the coast of Western Sahara expired in December 2015, and that it has not been renewed.⁴ Total has also provided KLP with confirmation that the company has no plans to resume this activity in the future. The grounds for exclusion therefore no longer exist.

Dialogue

For several years, KLP has engaged Total in a dialogue, which has continued after the company decided not to renew its licence to prospect for oil off the coast of Western Sahara.⁵ Total

¹ Total, *Total at a glance*, <http://www.total.com/en/our-group/thumbnaill/total-glance-fourth-largest-global-oil-and-gas-company-1> (last visited 29 February 2016).

² Ibid.

³ KLP, *Decision to exclude Total S.A.* (3 June 2013). URL: http://english.klp.no/polopoly_fs/1.28396.1409665032!/menu/standard/file/Total_Decision_to_exclude_03_062013_ENGLISH.pdf.

⁴ Total, *Our reconnaissance contract for the Anzarane offshore area off Western Sahara territory*, <http://csr-analysts.total.com/node/504> (last visited 29 February 2016).

⁵ Conversation between KLP and Total (12 February 2016), notes archived at KLP.



underlines that this decision was taken for technical and financial reasons.⁶ With today's oil prices, the reserves were insufficient.⁷ However, Total will continue its operations in Morocco.⁸

Total further points out that its analysis of the legal position concluded that the company has acted in accordance with applicable international law, but admits that several European investors in addition to KLP have criticised Total's engagement in Western Sahara.⁹

Assessment

In KLP's assessment, grounds for exclusion no longer exist. That fact will, in the majority of cases, be sufficient to re-include a company that has previously been excluded. Total has also made it clear that it will not be resuming its activities off the coast of Western Sahara in the near future. Since Total still has operations in Morocco, a more categorical ruling out of future oil exploration and reconnaissance activities in Western Saharan waters could prove sensitive. In any case, the company's actions are the most decisive factor in KLP's opinion.

Should Total nevertheless resume oil exploration and reconnaissance off the coast of Western Sahara further into the future, KLP would have to consider excluding the company once again.

Conclusion and decision

Based on the assessment that grounds for exclusion no longer exist and that the company has no plans to resume oil exploration off the coast of Western Sahara, KLP has decided to rescind its exclusion of Total from investment by KLP and the KLP Funds as of June 2016.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.