



Decision to exclude from investment portfolios

2 December 2013

Introduction

KLP and the KLP Mutual Funds ('KLP') have decided to exclude the following companies from investments portfolios from 1 December 2013: WTK Berhad Holdings, Ta Ann Berhad Holdings, Zijin Mining Group, Volcan Compañia Minera and Zuari Agro Chemicals.

On 14 October 2013, the Ministry of Finance made it public that these companies are excluded from Norway's Government Pension Fund Global as a result of recommendations from the fund's Council on Ethics.

Of the five companies, KLP has only invested in one, Zijin Mining Group. The company is included in MSCI's benchmark index for emerging markets and KLP's investments per October 2013 was approx. one million shares to a total value of NOK 1.4 million.

Violations of guidelines

1. WTK Berhad Holdings

The Council on Ethics recommends the exclusion of the Malaysian company WTK Holdings Berhad (WTK) because of an unacceptable risk that the company is responsible for severe environmental damage through its logging operations. WTK is a Malaysian logging company involved in the harvesting of timber and the manufacturing of plywood and sawn timber.

In its assessment, the Council has emphasized the environmental damage associated with the conversion of tropical forests to plantations, environmental damage associated with logging, and the fact that the company's practices seem to breach normal requirements and are therefore assumed to be illegal. The Council has also emphasized the scale of the damage and to what extent it causes long-term and irreversible impacts, whether the damage is a result of violations of national laws or international norms, and what the company has done to mitigate impacts.

For further information, see the [recommendation](#) from the Council on Ethics.

2. Ta Ann Berhad Holdings

The Council on Ethics recommends the exclusion of the Malaysian company Ta Ann Holdings Berhad (Ta Ann) from its investment universe due to an unacceptable risk of the company being responsible for severe environmental damage. Ta Ann is a Malaysian logging and plantation conglomerate that is involved in the logging and conversion of tropical forest into oil palm and timber plantations.

The Council has assessed the environmental impact of the logging and clearing of forests in Ta Ann's license areas in Sarawak. The Council has focused particularly on the extent to which the company's license areas overlap with areas containing important ecological values, and what consequences the conversion of forest will have for endangered species and their habitats.

For further information, see the [recommendation](#) from the Council on Ethics.

3. Zijin Mining Group

The Council on Ethics recommends the exclusion of the Chinese company Zijin Mining Group Co. Ltd. (Zijin) because of an unacceptable risk of the company being responsible for severe environmental damage. Zijin is a major producer of gold, copper and zinc and has a number of facilities for mineral extraction and metal production.

Over the past years, there have been several serious incidents at the company's facilities where tailing dams from mining and processing have collapsed and resulted in extensive contamination and loss of human life. This involves tailing dams at waste disposal sites that have collapsed so that vast amounts of waste from mining operations, industrial waste and hazardous chemicals have been dispersed into river systems or flooded settlements and farmland. Over the past decade at least seven such incidents have been reported at the company's facilities in China.

For further information, see the [recommendation](#) from the Council on Ethics.

4. Volcan Compañía Minera

The Council on Ethics recommends excluding the Peruvian company Volcan Compañía Minera SAA (Volcan) due to an unacceptable risk that the company contributes to severe environmental damage through its mining operations in Cerro de Pasco, Peru. Volcan is Peru's largest producer of lead and silver, and the country's second-largest producer of zinc. The mine is located in the middle of a city of 70,000 inhabitants. As the mining operation takes place in residential areas of the city, the Council has emphasised the consequences that the mining operation has for human life and health. The Council has focused especially on the risk to children's health resulting from high concentrations of lead in the soil and water.

For further information, see the [recommendation](#) from the Council on Ethics.

5. Zuari Agro Chemicals

The Council on Ethics recommends excluding the Indian company Zuari Agro Chemicals Ltd. (Zuari) due to an unacceptable risk that the company through its production of hybrid seed contributes to the worst forms of child labour.

In 2011 and 2012 the Council on Ethics surveyed the prevalence of child labour in the production of hybrid cottonseed for the company. On average 20 per cent and up to 30 per cent of the workforce used in the seed production for the company was found to be children. The Council on Ethics has based its assessment on the understanding that the company does not itself own the farms where the seed is cultivated and does not have a direct contractual relationship with the

people who work there either; rather the seed is cultivated on commission from and under the supervision of the company.

The Council on Ethics has attached importance to the systematic use of children in production for the company. This is regarded as the worst forms of child labour because of the young age of the children and the health hazards they are exposed to in this work, partly as a result of the use of pesticides. The Council on Ethics has also attached importance to the fact that the risk of child labour is well known in this industry, that the company probably has a close working relationship with the farmers who use child labour, and that the company has not taken concrete steps to reduce the extent of child labour.

For further information, see the [recommendation](#) from the Council on Ethics.

Decision

On the basis of the Council on Ethics' recommendation and the Ministry of Finance's decision to exclude these five companies, it is decided that the companies are also excluded from KLP's and the KLP Mutual Funds' investments as of 1 December 2013.