

To the Ministry of Finance

Recommendation 13th February 2009

1 Background

On August 24th 2006 the Council on Ethics submitted a recommendation concerning the exclusion of the South African company DRD Gold Limited from the investment universe of the Norwegian Government Pension Fund – Global, owing to an unacceptable risk of contributing to present and future severe environmental damage.

DRD Gold is a mining company based in South Africa. At the time the recommendation was submitted, the company had mining operations in South Africa, Papua New Guinea and Fiji.¹ The gold mines in Papua New Guinea and Fiji were operated by DRD Gold's subsidiary, Emperor Mines Limited, in which DRD Gold had a 88 percent share which was later reduced to 79 percent.²

The Council's recommendation discussed the conditions at the Tolukuma mine in Papua New Guinea and the Vatukoula-mine in Fiji. The Council deemed it probable that the riverine tailings disposal near Tolukuma mine leads to considerable and lasting environmental damage, and that the pollution from the mining operations at both Tolukuma and Vatukoula may have substantial effects on human life and health. The Council emphasised that riverine tailings disposal is inconsistent with international norms. The Council found that the company had been aware of the serious health and environmental damage its operations have caused for many years, but had failed to put any measures into effect aimed at reducing the damage.

The Ministry of Finance accepted the Council's recommendation, which was published on 11th April 2007. Having submitted its recommendation on 24 August 2006, the Council was later informed that DRD Gold had decided to close down its mine in Fiji.³ In the Council's view, this did not amount to a change in the basis for recommending exclusion as the operations at the Tolukuma mine alone represent an unacceptable risk of contributing to severe environmental damage and thus provide grounds for exclusion.

According to DRD Gold's filings to the SEC, DRD sold all of its interests in Emperor Mines in October 2007. The company now has all of its operations in South Africa. Furthermore Emperor Mines announced in March 2008 that the company had sold the Tolukuma-mine to Petromin PNG Holdings, owned by the State of Papua New Guinea.⁴

¹ See the Council on Ethics' recommendation on the exclusion of DRD Gold Limited 24 th August 2006, available at www.etikkradet.no

² DRD Golds SEC Filings Form 20 –F, filed 14 December 2007, p. 18, available at <http://www.secinfo.com/d14pb2.u59.k.htm>

³ On December 5th 2006, DRD Gold decided to close down the mine beacaus it was unprofitable, SEC Filings 14th December 2007, Form 20 –F p.8.

⁴ http://www.emperor.com.au/index.php?option=com_content&view=article&id=76&Itemid=112 . According to Petromin PNG Holdings Limited the company is “an independent company created by the State of Papua New Guinea to hold the State's assets and to maximise indigenous ownership and revenue gains in the mineral and petroleum sectors,” see <http://www.petrominpng.com.pg/index.html>

2 The Council's assessment

According to point 4.6 of the Ethical Guidelines, the Council *"shall review on a regular basis whether the reasons for exclusion still apply and may against the background of new information recommend that the Ministry of Finance reverse a decision to exclude a company."*

The Council finds that DRD Gold no longer is involved in the activity which the recommendation for exclusion was based on. The Council therefore considers that the basis for the exclusion of DRD Gold from the Norwegian Government Pension Fund's investment universe no longer exists.

3 Recommendation

The Council on Ethics recommends that the decision to exclude DRD Gold Ltd from the Norwegian Government Pension Fund's investment universe is repealed, as the reason for exclusion no longer applies.

Gro Nystuen
Leder

(sign.)

Andreas Føllesdal

(sign.)

Anne Lill Gade

(sign.)

Ola Mestad

(sign.)

Bjørn Østbø

(sign.)