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Your ref:

Our ref:
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Council on Ethics' observation report on Pan Ocean Co Ltd (Unofficial English Translation)

The South Korean company Pan Ocean Co Ltd (Pan Ocean) has been under observation since January 2018. The company was placed under observation because although it had previously disposed of ships that were subsequently broken up on the beaches of Bangladesh and Pakistan (a process known as beaching), it had also stated that it intended to discontinue this practice.

In its 2017 recommendation to place Pan Ocean under observation, the Council on Ethics wrote:

“In its reply to the Council on Ethics, Pan Ocean writes that it is willing in future to take the method of breakup into account as far as possible when making decisions on the sale of vessels for scrapping. Although the Council does not consider this to be a strongly binding pledge on the part of the company, it nevertheless perceives it as a positive indication of a change in future practice. The Council on Ethics therefore recommends that Pan Ocean Co Ltd be placed under observation for a period of four years. The Council will re-examine the grounds for observation if at the end of four years the company has not sent any ships for beaching, or before that time if the company issues a more binding pledge that it has ceased this practice. Should the company dispose of any more ships in this way, the Council on Ethics will recommend that it be excluded from the GPFG.”

The Council learned this year that Pan Ocean had disposed of a further ship for beaching in December 2017. This happened after the Council's recommendation to place the company under observation was submitted to Norges Bank in June 2017, but before it was made public in January 2018.

The Council on Ethics therefore contacted the company in April 2019 to remind it that it was under observation and that the Council could recommend its exclusion from investment by the GPFG if it disposed of further ships for beaching. In a letter to the Council, the company admitted the facts of the previously mentioned case, and explained why it chose this form of disposal for the ship concerned. The company also wrote: *“Despite above-mentioned*

difficulties, Pan Ocean humbly accepted your opinion as a severe warning and will consider our decision making on vessel demolition much more seriously from now on.”¹

As stated in its 2017 recommendation, the Council would normally have recommended the company’s exclusion if it had disposed of the ship for beaching during the observation period. However, the Council is recommending that observation be maintained, partly because the ship was disposed of for beaching before the recommendation to place Pan Ocean under observation had been made known to the company. Since Pan Ocean has also reiterated its intention not to dispose of any further ships for beaching, the Council considers that there are grounds to keep the company under continued observation.

At the same time, the Council on Ethics remains resolved to recommend the company’s exclusion from the GPFG should it nonetheless dispose of additional ships for the purpose of beaching.

Yours sincerely,

Johan H. Andresen,
Chair,
Council on Ethics

¹ Letter from Pan Ocean Co Ltd to the Council on Ethics, 22 April 2019.