

To Norges Bank

19.02.2020

UNOFFICIAL ENGLISH TRANSLATION

Recommendation to revoke the exclusion of Texwinca Holdings Ltd from investment by the Government Pension Fund Global (GPFG)

1 Background

On 17 January 2019, Norges Bank announced its decision to exclude Texwinca Holdings Ltd (Texwinca)¹ from investment by the Government Pension Fund Global (GPF) at the recommendation of the Council on Ethics.² According to section 5(5) of the Guidelines for Observation and Exclusion of Companies from the GPF, the Council shall periodically reassess whether the grounds for a company's exclusion still exist. The Council on Ethics recommends that the Texwinca's exclusion be revoked.

Texwinca is a Chinese company that produces yarns, knitted fabrics and garments. The company has its own distributor network in China and manufactures goods for clothing brands in the USA, Europe and Asia. At the time of the Council's recommendation, Texwinca was the largest shareholder, owning 50 per cent, of the company Megawell Industrial Ltd (Megawell), which owned garment factories in Vietnam (Hugo Knit and Kollan Vietnam) and China.

Hugo Knit and Kollan Vietnam were wholly owned subsidiaries of Megawell. The Council recommended Texwinca's exclusion on the grounds of systematic labour rights abuses at these factories. The ownership structure and Texwinca's significant influence over Megawell caused the Council to consider the norm violations at Kollan and Hugo Knit to be norm violations in Texwinca's own operation.

Texwinca has informed the Council on Ethics that the company Megawell was wound up in 2019 and that "The factories of Hugo Knit and Kollan have been closed down and is now under the process of de-registration. After the completion of the process, the factories will be returned to the landlords."³

The Council has not found any publicly available information to corroborate Texwinca's claim.

2 The Council's assessment

Since the Council's recommendation to exclude Texwinca was based on norm violations at Hugo Knit and Kollan, the Council considers that, given the above-mentioned information, there are no longer any grounds for maintaining its exclusion.

3 Recommendation

The Council on Ethics recommends that the exclusion of Texwinca Holdings Ltd from investment by the Government Pension Fund Global (GPF) be revoked.

Johan H. Andresen Hans Chr. Bugge
Chair

(Sign.)

Cecilie Hellestveit

(Sign.)

Trude Myklebust

(Sign.)

Brit K. S. Rugland

(Sign.)

¹ Issuer ID: 116568

² Recommendation to exclude Texwinca Holdings Ltd from investment by the Government Pension Fund Global (GPF), 5 June 2018, www.etikkradet.no

³ Email correspondence with Texwinca in the period January to September 2019.