

Council on Ethics

for the Norwegian Government Pension Fund Global



Annual Report 2020





**The Council on Ethics advises
Norges Bank on the observation and exclusion
of companies from the Norwegian Government
Pension Fund Global (GPFG)**

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Innhold

The Chair's report	6
Members of the Council and the Secretariat	8
The work of the Council on Ethics	9
The Council's work under the human rights criteria	16
The Council's work under the environment and climate criteria	21
The Council's work under the corruption criterion	24
Proposed new guidelines for observation and exclusion	27
Consultation response	29
List of excluded companies as at 31 December 2020	42
List of companies placed under observation	43
Published recommendations	44
• AECOM	47
• Canadian Natural Resources Ltd	47
• Cenovus Energy Inc	48
• Centrais Elétricas Brasileiras SA	50
• Elsewedy Electric Co	51
• Hangzhou Hikvision Digital Technology Co Ltd	53
• Imperial Oil Ltd	53
• Page Industries Ltd	55
• PetroChina Co Ltd	55
• RWE AG	56
• Suncor Energy Inc	58
• Texwinca Holdings Ltd	59
• Vale SA	59
Observation	60
Guidelines for observation and exclusion from the Government Pension Fund Global	62



The Chair's report

“Ethics”, according to the Norwegian Encyclopaedia, has the purpose of “studying how one ought to act, and to understand the terms we use when we assess actions, actors, and the outcome of actions”. This never ending endeavour continues indefatigably regardless of the disasters that befall us.

2020 brought a global pandemic that naturally presented The Council on Ethics' with a set of obstacles in light of our activities. A number of companies currently under observation could not be visited after mid-March. New field studies planned for 2020 have also been postponed. Overall, however, The Council continued to operate almost as normal. We have been able to draw on work commenced prior to 2020. The Council is also privileged with an exceptionally competent and conscientious Secretariat.

Last year, the first recommendations were finally issued under the climate criteria, previous uncertainties having been resolved. We also issued our first recommendation concerning norm violations linked to the sale of mass surveillance equipment. Work regarding textiles manufacturers is approaching the bottom of the pile. Many of these companies may seem small, but their customers are among the most well-known global brands, in which the GPFG is also invested, and on which we have reason to believe that our efforts are having an instructive effect. In 2020, we issued more recommendations under the criterion “serious violations of the rights of individuals in war or conflict situations” than we have for a long time. Our assessment of companies' contribution to such infringements has been central in these cases. These can be extremely difficult assessments to make, but when all is said and done, someone has to make them.

On the basis of the ethical risks we have uncovered in our work on companies' recruitment practices, we fear that migrant workers may be exposed to widespread norm violations. We have therefore commissioned a major third-party investigation of companies involved in practices that may constitute forced labour or other forms of exploitation in the labour market. We will enjoy the fruits of this work for many

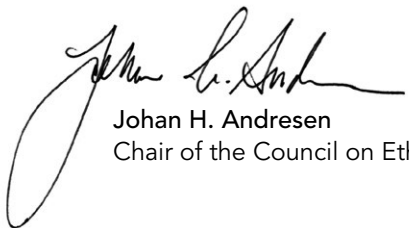


years to come. It will undoubtedly be in the self-interest of both companies and countries, although countries are not our direct concern, to behave more responsibly in this area if they wish to retain the favour of investors.

In the spring of 2019, a public commission was set up to evaluate the GPFG's ethical guidelines. Two members of the Council on Ethics sat on the Commission, while two people from the Council's secretariat also served in the Commission's secretariat and spent a significant amount of time on this work. The Commission's report, NOU 2020:7 "Values and responsibility" has been circulated for comments, and the Council has also submitted its own response. We believe that the majority of the Commission's recommendations are constructive and can be easily operationalized. However, given the Council's independence, a few warrant further clarification.

NBIM's strategy of increasing its degree of active ownership, including divesting its entire holding of shares in several smaller companies, will have an impact on the Council's work. We assume that the ethical risk incurred by the GPFG will fall slightly as a result of this move. At the same time, the Council's resources will be somewhat more concentrated on longer processes involving larger companies. We further assume that small companies, with advanced technology but an unknown sense of ethical direction, will remain in the GPFG, which will test our ability to assess the risk of future norm violations. In addition, the GPFG will also continue to be exposed to a large number of emerging markets, to which new ones may be added, the Council will not become superfluous any time soon.

Because ethics never rests. And nor does the Council on Ethics.



Johan H. Andresen
Chair of the Council on Ethics



Members of the Council and the Secretariat

The Council on Ethics



Johan H. Andresen (Chair)

Andresen holds an MBA from Rotterdam School of Management, Erasmus University. He owns and chairs the board of Ferd, where he was CEO for 14 years. He has previously been employed as Product Manager at International Paper Co in the USA and served as a partner at the Tiedemann Group. He is a member of various boards, including NMI – Norwegian Microfinance Initiative, Junior Achievement Europe and Oslo Science City. Andresen represented the Council on the government-appointed commission tasked with reviewing the GPF's ethical guidelines.



Hans Chr. Bugge (Vice Chair)

Bugge has a doctorate in law from the University of Paris II and a doctorate from the University of Oslo. He is now Professor Emeritus at the Department of Public and International Law at the University of Oslo. Bugge works with national and international environmental law. He has been employed at the Norwegian Ministry of Environment and Ministry of Finance, was Director of the Norwegian Pollution Control Authority, Secretary General of Save the Children Norway and State Secretary at the Ministry of Development Cooperation. He is the author of several books and has held a number of public appointments relating to the environment and sustainable development.



Cecilie Hellestveit

Hellestveit is a lawyer, with a doctorate in humanitarian law. She also holds a MPhil in Middle Eastern Studies. Hellestveit has worked at various research institutions, including PRIO, SMR, NUPI, IKOS and ILPI. She has been a non-resident fellow at the Atlantic Council in Washington DC. She is currently affiliated to the Norwegian Academy of International Law and a special advisor at the Norwegian National Human Rights Institution. Hellestveit has authored a textbook on the international law of war and was a member of the government-appointed commission tasked with reviewing the GPF's ethical guidelines.



Trude Myklebust

Myklebust is a lawyer, with an MSc from the University of Oxford. She is currently a research fellow at the University of Oslo's Department of Private Law. Myklebust spent many years at the Ministry of Finance, where she worked with financial market law and ethical guidelines for and responsible management of Norway's Government Pension Fund, among other matters. Myklebust has previously served as a deputy judge and as a senior advisor for the Director of the Supreme Court of Norway. She has also authored a textbook on financial market law.



Brit Kristin Sæbø Rugland

Rugland holds a Master of Management degree from the BI Norwegian Business School. She is the CEO of Stavanger Investering Eiendom AS and Rugland Finans AS. Rugland was a member of Norges Bank's Executive Board from 2004 until 2013. In addition, she has served on the boards of Storebrand ASA (1995–2002) and Stavanger Aftenblad (2002–2010), and chaired the boards of Gassco AS (2001–2011) and Rogaland Theatre (2006–2016). Rugland currently serves on the board of Norfund and chairs the boards of KBN-Kommunalbanken AS and Figgjo AS.

The Secretariat

The Council has a Secretariat that investigates and prepares cases for the Council. At the close of the year, the Secretariat had the following employees:

- Eli Lund, sekretariatsleder (MEcon)
- Lone Fedders Dybdal (MPhil)
- Kjell Kristian Dørum (Cand.polit.)
- Erik Forberg (Cand.scient.)
- Hilde Jervan (Cand.agric.)
- Aslak Skancke (MSc Engineering)
- Ingrid Thorsnes (LLM)



The work of the Council on Ethics

The Council on Ethics for the Government Pension Fund Global (GPFG) is an independent body that makes recommendations to Norges Bank to either exclude companies from the GPFG or place them under observation. The Council's assessments are based on ethical guidelines determined by the Norwegian Ministry of Finance. The guidelines contain both productbased exclusion criteria, such as the production of tobacco, coal or certain types of weapons, and conductbased exclusion criteria, such as corruption, human rights abuses, environmental damage and unacceptably high greenhouse gas emissions. The threshold for exclusion is intentionally high, and companies may be excluded only if they represent an unacceptable future ethical risk to the GPFG. All the Council's recommendations are published on its website as soon as Norges Bank has announced its decision.

Portfolio monitoring and information gathering

The Council continuously monitors whether companies in which the GPFG is invested could be operating in ways that infringe the fund's guidelines for observation and exclusion. As a result, the Council works on many different cases and issues in parallel.

A consulting firm provides the Council with a quarterly report on any companies it has identified as being operations which may infringe the guidelines' product-based criteria. In addition, the Council follows up information provided by other sources and investigates all relevant companies on an ongoing basis.

With regard to the guidelines' conduct-based criteria, companies are identified as a result of portfolio monitoring, third-party approaches and systematic reviews of areas associated with a high ethical risk. Every day, a consulting firm goes through a large number of news sources in several languages in search of relevant reports on companies in the GPFG's portfolio. The Council receives reports from the consultants every two months, and monitors a number of databases containing information on issues such as corruption or human rights abuses. The Council is also approached, either directly or indirectly through Norges Bank, by organisations and individuals who call on it to consider specific cases. When selecting cases to examine in more detail, the Council gives

weight to the violation's scope and seriousness, its consequences, the company's responsibility for or contribution to the matter concerned, the measures that have been implemented to prevent or remedy the harm caused, and the risk of similar incidents occurring in the future.

Access to information varies sharply from country to country. The Council attempts to compensate for this by investigating conditions that are not normally picked up on through the monitoring of news media. Such investigations often pursue a long-term plan. Once the Council has selected an area for examination, it follows through over a period of several years. For example, the Council has worked with companies that dispose of ships to be broken up for scrap on the beaches of Bangladesh and Pakistan since 2017, while it has focused on deforestation and loss of biodiversity since 2010.

The Council obtains information from research environments as well as regional, national and international organisations, and often commissions third-party consultants to investigate indications of norm violations covered by its guidelines. In 2020, however, the Covid-19 pandemic made it challenging to perform field studies. The Council frequently engages in lengthy dialogues with company officials during the assessment process.

Table 1: Key figures for activities undertaken by the Council on Ethics in 2018–2020

Year	2018	2019	2020
No. of limited companies in the GPFG at year-end (approx.)	9150	9200	9150
Total no. of companies excluded at the recommendation of the Council on Ethics at year-end	70	65	71
No. of companies placed under observation at the recommendation of the Council on Ethics	8	7	6
No. of companies on which the Council on Ethics has issued a recommendation during the year	10	17	12
No. of companies excluded during the year at the recommendation of the Council on Ethics	11	3	10
No. of companies placed under observation during the year	2	0	0
No. of observations concluded during the year	0	1	1
No. of exclusions revoked during the year	2	7	2
No. of companies the Council has been in contact with	34	50	77
No. of companies the Council has met with	22	14	16
No. of new cases the Council has assessed	78	100	120
Total no. of company assessments concluded during the year	98	87	104
Total no. of companies under assessment during the year	189	180	206
No. of Council meetings	11	9	10
Secretariat (no. of staff)	8	8	8
Budget (NOK million)	18,5	18,7	18,7

The table summarises the scope of the Council's investigation of companies in 2020, compared with 2019 and 2018. Companies excluded by Norges Bank under the coal criterion, without the Council's recommendation, are not included in the table. Companies that have been delisted from a stock exchange are removed from the list of excluded companies as and when delisting occurs.

Overview of activities undertaken by the Council on Ethics in 2020

In 2020, the Council recommended that seven companies be excluded, three companies should have their exclusion revoked and two be placed under observation. Norges Bank announced that, based on the Council's recommendations in 2019 and 2020, ten companies had been excluded and two companies had had their exclusion revoked. Furthermore, one company which had been under observation was to come under the exercise of active ownership.

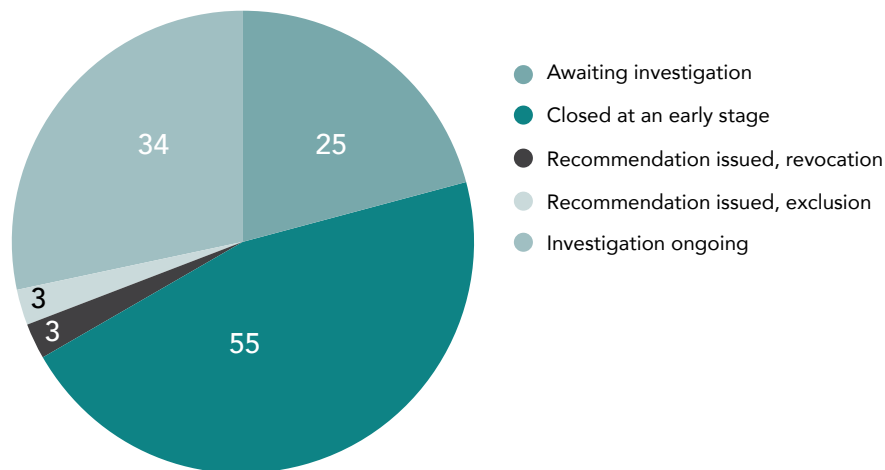
As at 31 December 2020, 71 companies were excluded from the GPFG, while six were under observation at the Council's recommendation. The Council is fol-

lowing up these companies to assess whether the grounds for exclusion or observation remain in place, and engages in an annual dialogue with the companies under observation. In addition, Norges Bank has at its own initiative excluded 73 companies and placed a further 17 under observation under the coal criterion. These companies are followed up by Norges Bank.

In addition to its ongoing efforts to assess companies in the GPFGs portfolio, the Council has devoted some of its resources to assisting in the preparation of the report NOU 2020:7 "Values and responsibility" published by the government-appointed commission that has been looking into the GPFG's ethical framework.



Fig. 1: What happened to the 120 cases that were opened in 2020?

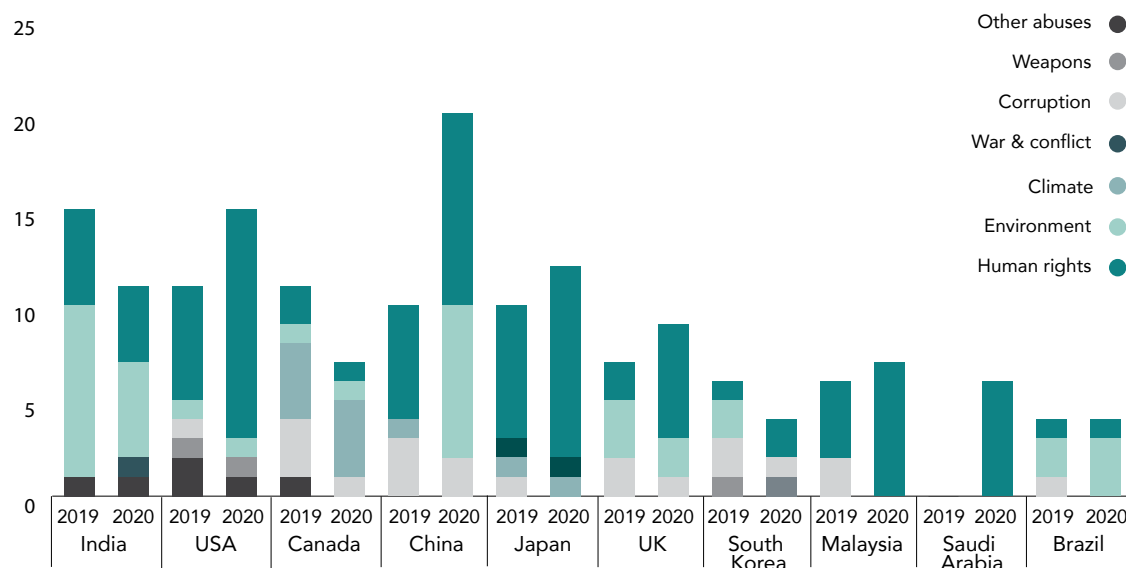


The figure shows the status of the 120 new cases the Council opened in 2020.

In 2020, the Council had 222 cases under assessment, 120 of which were opened during the year. A recommendation to exclude a company or to revoke an exclusion has already been issued in connection with six of the new cases. 55 of the new cases were closed at an early stage; 25 of these were assessed under the corruption criterion. 34 of the cases are still under investigation, while 25 have yet to be the object of a complete initial assessment. Improper handling of coronavirus outbreaks and the gaoling of new unmarried mothers in the Gulf states are two of the

issues to emerge from the new cases in 2020. Certain companies have cropped up repeatedly in the Council's assessments, though for different circumstances and under different criteria. In 2020, 12 of the 206 companies that were under assessment were being investigated in relation to two, and in one case three, separate matters.

Fig. 2: Cases under assessment in 2019 and 2020



The figure shows cases that have proceeded beyond an initial assessment in 2019 and 2020. The cases are broken down by criterion and where the companies are registered. The figure shows the ten countries with the highest number of companies under assessment.

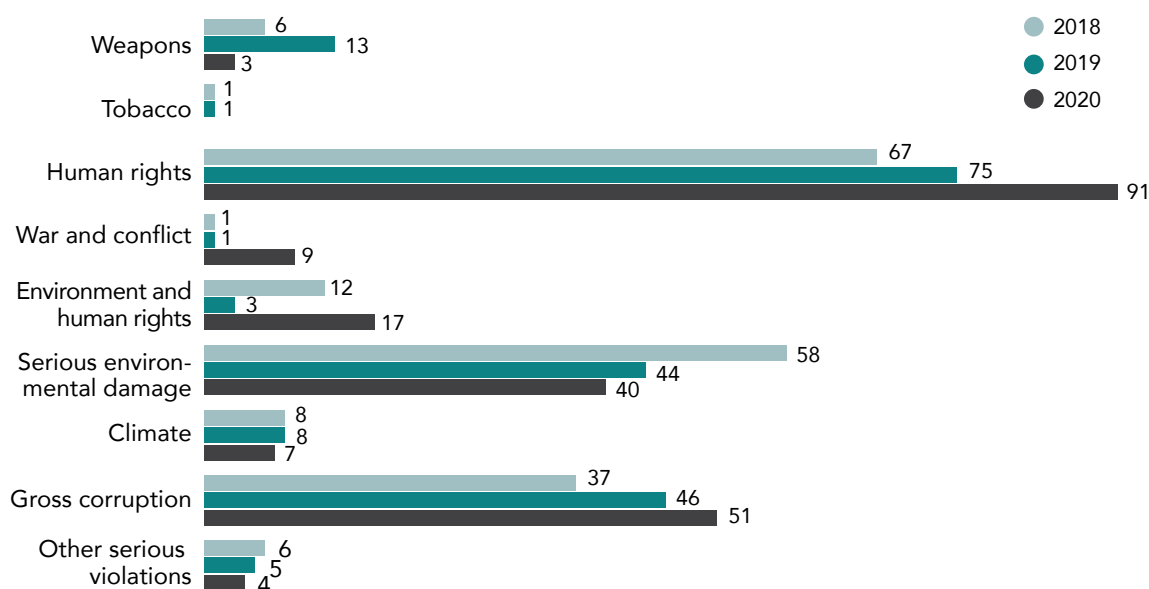
At the close of 2020, the GPFG had investments more than 9,000 companies in around 70 countries. The geographic distribution of the 206 companies on which the Council worked during the year reflects the geographic distribution of the GPFG's investments. Nevertheless, the geographic distribution of the Council's work varies somewhat from year to year. From 2019 to 2020, for example, there was a sharp increase in the number of cases from China. This is largely attributable to the fact that the Council has investigated human rights abuses in connection with the internment of Uighurs in Xinjiang province and the environmental harm caused by the production of preparations including material sourced from endangered animal species. With respect to other Asian companies, the dominant topic is the abuse of labour rights. Asian companies are often investigated as part of a review of areas with a high ethical risk and not due to specific news reports. This applies, for example, to investigations concerning pollution from

the production of antibiotics in India, which were concluded in 2020 without the Council recommending the exclusion of any companies. The extensive antibiotic emissions deriving from this production constitute an extremely serious and global environmental problem, since it is of significance for the development of antibiotic-resistant bacteria. Many companies probably contribute to this problem, but it is difficult to document the part which the individual enterprise plays.

For companies domiciled in the American continent, the Council's efforts are distributed slightly more evenly across the criteria, although there has also been an increase in cases assessed under the human rights criterion in the USA in 2020. For example, the Council has reviewed news reports concerning the way companies have handled outbreaks of Covid-19 in the workplace. A significant number of the cases involving Canadian companies relate to oil-sand production and are being assessed under the climate criterion.



Fig. 3: Cases on which the Council has worked, by criterion



The figure shows the number of cases on which the Council worked in 2020, distributed across the various criteria. The figure includes cases that have been thoroughly assessed and those that were closed after an initial investigation.

Work under the various criteria

The human rights criterion continues to account for the bulk of the cases assessed by the Council. Such cases are often prompted by investigations the Council has itself initiated on the basis of assumptions concerning the general risk of labour rights violations in a business sector or area. A large number of companies therefore undergo a preliminary investigation. The Council first identifies all enterprises engaging in a certain business activity and contacts relevant companies to obtain information that could confirm or refute the Council's assumptions. Based on their answers and information received from other sources, the Council then decides which companies should be investigated in more detail. For example, in 2020, the Council has continued to pursue cases of working conditions for migrant workers that border on forced labour. The Council also began identifying companies that use workers held in internment camps in Xinjiang province, China.

Other types of cases often spring from news bulletins or NGO reports. Such cases may, for example, be linked to the infringement of indigenous peoples'

rights or forced relocation, which accounted for a good many of the cases dealt with in 2020.

The Council has considered several cases under the war and conflict criterion involving companies' collaboration with military or security forces. Other forms of contribution to the infringement of the rights of the individual in war and conflict have been linked to business operations in the West Bank.

Under the environment criterion, the Council continues to work on mining and industrial pollution, damage to conservation areas and loss of biodiversity. Several of the cases assessed under the environment criterion also have a human rights aspect. In cases where a company may be under investigation with respect to several criteria, the Council will normally attach decisive weight to just one of them. Beaching cases form an exception to this rule, with the Council's recommendations resting on both an unacceptable risk of environmental damage and human rights abuses.

Since 2017, companies in the GPF's portfolio that are identified through the initial review of corruption

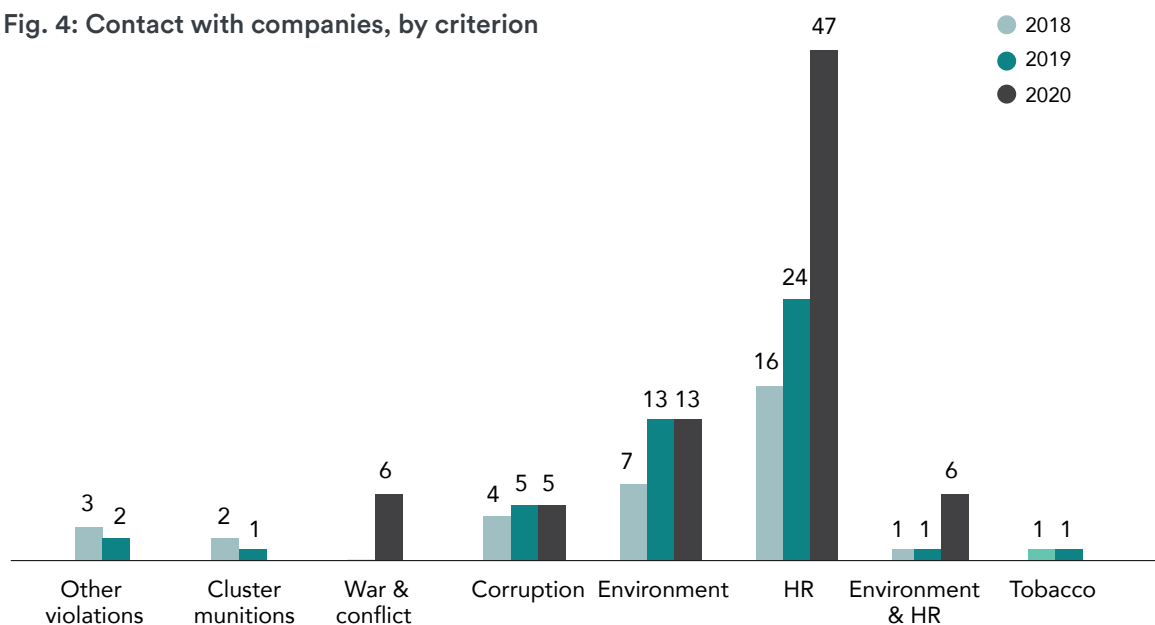


allegations have been systematically registered, sorted by business sector and ranked according to the level of risk. As a result of this approach, a growing number of companies have in recent years undergone a preliminary assessment. The majority of these are closed at an early stage. If there are many corruption cases in a particular business sector, it will also be possible to perform a more general review. In 2019, for example, this kind of review was performed on oil service companies. In 2020, a systematic review was begun of state-controlled oil companies in the GPFG that the Council had not yet assessed individually.

Contact with companies in 2020

In 2020, the Council has communicated with 77 companies and held meetings with 16 of them. The Council contacts companies which, after a preliminary investigation, it wishes to look into more closely. The Council first writes a letter to the company concerned, asking for information that could provide a better foundation for an assessment of its operations. All the companies assessed under the conduct-related criteria are also given the opportunity to comment on a draft recommendation before the Council makes its final recommendation to Norges Bank.

Fig. 4: Contact with companies, by criterion



This figure shows how many companies the Council has been in contact with in relation to the various criteria in 2018, 2019 and 2020. One company may be contacted in relation to several criteria.

In 2020, as well, the vast majority of companies were contacted in relation to assessments under the human rights criterion. The Council attaches importance to information provided by companies and deems it an independent risk factor if companies fail to provide specific, verifiable information about their operations. The majority of the companies contacted by the Council with a request for information do reply, though some do not. In 2020, for example, the Council contacted ten companies domiciled in the Middle East, only one of which responded to the Council's query. In some of these cases, the facts of the matter are easily available, while in other cases it

is not possible to obtain specific information or carry out investigations locally.

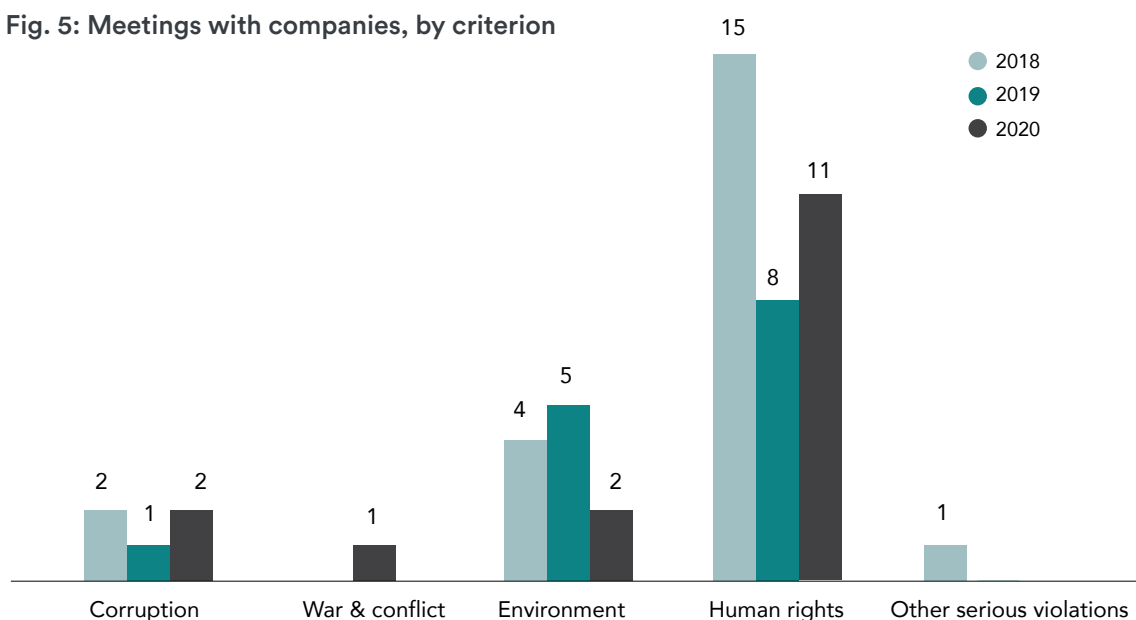
Normally, the Council meets with companies late in the assessment process, often on the basis of a draft recommendation to exclude. The Council has issued a recommendation to Norges Bank to exclude or place under observation three of the companies that the Council met with in 2020. Four company meetings in 2020 took place at an early stage in their assessment. In several instances, this has led to the cases being dropped.



There is also a need to meet with companies that have been placed under observation in order to obtain information for inclusion in the Council's observation reports. Three of the company meetings held in 2020 were with companies that are under observation. However, several such meetings were postponed due to the Covid-19 pandemic. From time to time, the Council also meets with companies that have been excluded from investment by the GPFG, either

because the Council wishes to assess whether the grounds for exclusion remain in place or because companies ask for a meeting with the Council. In 2020, the Council met with one excluded company and one company whose exclusion had been recommended but whose shares the GPFG had divested before Norges Bank's Executive Board had decided the matter.

Fig. 5: Meetings with companies, by criterion



The figure shows how many companies the Council has held meetings with distributed across the various criteria in 2018, 2019 and 2020.

Reassessment of excluded companies

Companies are not excluded for a specific period of time, and their exclusion may be revoked as soon as the grounds therefor no longer exist. Each year, the Council performs a superficial investigation of all excluded companies to check whether they still engage in the activity for which they were excluded or not. For some companies, a more in-depth investigation is carried out, at a company's request, for example, or if there are indications of a major change in its operations. If a company has implemented measures that have led to sufficient improvement in the conditions on which exclusion was based, the Council issues a recommendation to revoke its exclusion. Such improvements must be observable

in practice and not simply be stated in the company's plans and strategies. One common reason for a recommendation to revoke an exclusion is that the company has discontinued or disposed of that part of its business that constituted the grounds on which it was based.

In 2020, the Council recommended that the exclusion of three companies be revoked. Norges Bank revoked the exclusion of two companies at the Council's recommendation. Companies that have been delisted from a stock exchange are removed from the list of excluded companies without the recommendation having been revoked.



The Council's work under the human rights criteria

Section 3 of the GPFG's guidelines states that "Companies may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for

- a) serious or systematic human rights violations (...)
- b) serious violations of the rights of individuals in situations of war or conflict."



Serious or systematic human rights violations

In the field of human rights, the Council works in accordance with a plan drawn up in 2019, which points to prioritised areas where the risk of human rights abuses is particularly high. In line with this plan, the Council has continued working on cases involving labour rights in the Southeast Asian textiles industry and conditions bordering on forced labour for migrant workers in the Gulf and Malaysia. Due to the global Covid-19 pandemic, however, it has not been possible to undertake field studies, which has made the Council's efforts more difficult in these areas.

In other areas, where the Council's investigations are based on written sources, it has been possible to continue the work as before. This applies, for example, to the identification of companies that sell surveillance systems to governments that use these products or services to commit serious human rights violations. In addition to these sector studies, the Council has been working on cases picked up from the Council's news monitoring. These news articles often build on reports published by international human rights organisations. Among the most serious cases that the Council has picked up on in this way are those where indigenous people or other particularly vulnerable groups find their living conditions materially impaired as a result, for example, of the exploitation of natural resources.

Work bordering on forced labour: Since 2015, the Council has been investigating the recruitment of migrant workers to companies in the Gulf states, focusing on the use of recruitment fees, misleading contractual terms and conditions, and restrictions on workers' freedom of movement, for example through the confiscation of their identity papers. In 2020, the Council has entered into a framework contract with a firm of consultants, which will help the Council to further investigate these issues, both in the Gulf and in other countries.

In 2020, the Council also took a closer look at working conditions bordering on forced labour in factories producing rubber gloves in Malaysia. As in the Gulf, many migrant workers travel to Malaysia for work, particularly from Bangladesh. Many of the same norm

violations as those to which migrant workers are subjected in the Gulf are also found in Malaysia. Despite information emerging that the government in Malaysia is taking steps to improve the recruitment practices for migrant workers, the Council notes that there are still reports of migrant workers living under extremely difficult conditions. Due to the pandemic, it has not been possible to undertake field studies, and the Council is therefore trying to investigate recruitment practices and working conditions at the companies' factories remotely.

After several news bulletins and reports from civil society actors, the Council has embarked on an investigation to determine whether companies in the GPFs portfolio make use of workers from the internment camps in the Xinjiang province of China. It is estimated that at least 800,000 people from Muslim minority groups have been interned in such camps. It is reported that during and after their internment, detainees must work at factories in and outside Xinjiang. Although media and research reports generally focus on western companies' links to forced labour through their supply chains, the Council will initially investigate whether companies in the GPFs portfolio themselves make use of this type of labour.

Working conditions in the textiles industry: In 2015, the Council began systematically investigating companies producing yarn, fabrics and garments in certain countries where the risk of labour rights violations is particularly high. The Council's efforts have been focused on companies in the GPFs portfolio that produce textiles themselves. These companies employ thousands of people in many countries, and are directly responsible for the working conditions at their factories. Working conditions at the factories are examined by external consultants on the basis of interviews with employees and, when the companies' give permission, on factory inspections.

So far, around 30 factories have been investigated in Cambodia, Vietnam, Bangladesh, Myanmar, Lesotho, Ethiopia, India, Indonesia and Haiti. Working conditions at many of these factories have proved to be extremely poor, and often violate national law, despite the factories being regularly inspected by their customers. The majority of the companies that have been



sent a draft Council recommendation to exclude them from the GPFG have, after contact with the Council, started implementing measures to improve working conditions. In 2020, the Council's efforts have largely consisted of following up investigations undertaken in previous years and drawing a conclusions based on its dialogue with the companies concerned. The Council attaches importance to companies not only remedying the norm violations that have been uncovered, but also making changes in their organisations and management systems that can contribute to permanent improvements both at the factory that has been examined and at their other production facilities.

Five textiles companies have been excluded to date, the exclusion of one of these were revoked in 2020, and three companies are placed under observation. In 2020, the exclusion of a further company was recommended. The Council remains engaged in a dialogue with several textiles companies, both with those already under observation and those still under investigation. The Council plans to continue its investigations into working conditions at a few textile companies in 2021, as well as starting a similar investigations into the production of footwear.

Infrastructure projects and the exploitation of natural resources in indigenous areas: Among the factors that influence the Council's prioritisation of cases are the scope and seriousness of the norm violation concerned. Since indigenous people often depend on nature for their livelihoods and have a strong cultural connection to the natural environment in which they live, the realisation of large-scale projects that change the environment or lead to forced relocation have a major impact on them. The Council therefore considers such cases carefully. In 2020, one company was excluded because of the impact on indigenous peoples and other vulnerable groups of a hydropower project that both harmed their chances of making a living and led to more than 20,000 people having to relocate. With respect to another company, which has been placed under observation, the measures intended to improve living standards for indigenous people who live on its oil palm plantation are one of the factors the Council is monitoring. The Council is also assessing cases where companies extract oil or establish mines in indigenous areas.

Surveillance technology

In 2019, the Council began assessing whether companies in the GPFGs portfolio may contribute to serious human rights abuses through the development and sale of surveillance equipment. In January 2020, the Council issued its first recommendation to exclude a company on these grounds. The recommendation relates to the company Hikvision, which has attracted considerable international attention for its sale of surveillance equipment to the authorities in Xinjiang, China, whose inhabitants have been subjected to mass surveillance. The information thus obtained is used to select individuals for detention in internment camps.

In September 2020, the Council received a letter from Norges Bank stating that this case would not be considered on its merits by its Executive Board because the GPFG was no longer invested in the company. In line with its previous practice, the Council therefore withdrew its recommendation and published it on its website. Other companies that the Council had begun to examine with regard to this issue left the portfolio before the Council had concluded its assessment. This applied particularly to Chinese companies. The Council's investigations are therefore now concentrating on companies domiciled in other parts of the world. One element that it is nevertheless important to take away from the Hikvision case is that companies' products or services may be included as part of states' mass surveillance systems. For the Council, the question will often be what the company knew about the way its products or services were being used. In the Council's view, what the company knew when the contract was signed is not, by itself, decisive. The company must also respond to new information that becomes known after that point in time.

In 2020, The Council has commissioned two reports to learn how companies in the GPFGs portfolio can contribute to human rights abuses enabled by surveillance technology. The first report describes how various surveillance systems work, and paints a broad picture of the different ways companies can be involved in such human rights abuses. The report raises challenging human rights issues about how far states can go in surveilling their own populations. The



right to private life is not absolute – but at what point does restrictions on this right cross the line? There is no hard and fast rule, and each state have a margin of appreciation as regards what measures are considered necessary. The Council will therefore largely focus on cases where the information obtained by means of companies' systems has been used to commit norm violations that can never be justified, such as arbitrary detention, torture and even murder. This is also in line with the Ethics Commission's assessment in NOU 2020: 7 "Values and responsibility" (p. 181). At the same time, the Council does not rule out the possibility of circumstances in which the information gathering process itself, and not the way the information is used, is so intrusive as to constitute grounds for exclusion from investment by the GPFG. This may apply, for example, where deeply sensitive information is obtained on a large scale, without reasonable grounds, consent or necessary safety mechanisms.

On the basis of the first report, the Council progressed to identifying companies in the funds portfolio engaged in the surveillance sector, with the focus on cases where the information collected leads to serious abuses. Because of the nature of these products and services, there is a great deal of secrecy surrounding the companies and who they sell to. It is therefore difficult to obtain specific information about the companies' complicity. Information also often emerge many years after an event is a challenge given the ethical guidelines' forward-looking framing. The Council elected to restrict the focus of a follow-up report to allegations that have been made in the past five years.

The second report was delivered at the end of August 2020. It contains a list of ten companies which have been accused of contributing to norm violations through the sale of surveillance technology to states that have used it to subject its population to serious human rights violations, including torture and arbitrary detention. The victims are primarily ethnic or religious minorities, political opponents and journalists. The Council will continue to work on this issue in 2021.

Serious violations of the rights of individuals in situations of war or conflict

In 2020, the Council examined the operations of several companies with businesses in the West Bank. The Council investigated whether companies, through their business activities, have contributed to the violation of international law. Previously, the Council has recommended the exclusion of construction companies that build Israeli settlements in the West Bank. In 2020, the Council also considered the GPFG's investments in companies engaged in other commercial activities in the area.

In 2020, furthermore, the Council has considered cases under the war and conflict criterion pertaining to companies operating in Myanmar and South Sudan, where non-international armed conflicts are ongoing. The cases relate to GPFG companies that have entered into business partnerships with actors responsible for extreme abuses. The subject of the Council's assessments in these cases is whether there is an unacceptable risk that these companies, through such business partnerships, contribute to serious violations of the rights of individuals in situations of war or conflict. In the Council's view, any assessment of whether the level of risk is acceptable or not depends on the type of norm violation the company risks contributing to. Where the company operates in an area with a known risk of contributing to extreme abuse, particularly high standards of due diligence must, in the Council's view, be evinced by the company if it is to avoid contributing to serious abuses.

Due to the high risk of contributing to serious norm violations in areas of war or conflict, several international guides and guidelines have been drawn up to ensure that companies operating in such areas perform particularly thorough due diligence assessments and implement measures to ensure that they do not contribute to norm violations. In 2010, for example, the UN Global Compact and Principles for Responsible Investment (PRI) published Guidance on Responsible Business in Conflict-Affected and High-Risk



Areas: A Resource for Companies and Investors.¹ This guide points to the risk of contributing to states' serious abuses, for example through the use of security forces and the furnishing of financial and material assistance to parties engaged in a conflict. Companies are encouraged to *"take all necessary measures to avoid complicity in human rights violations by government actors in relation to all aspects of the company's operations"*. In 2020, the UN Working Group on Business and Human Rights published the report *Business, Human Rights and Conflict-Affected regions: Towards Heightened Action*.² In this report, the working group points out that a higher risk of contributing to norm violations necessitates a higher level of diligence on the part of the companies concerned. The working group also provides practical guidance to companies with respect to the particular risk inherent in financial partnerships with armed forces. Another relevant guide is *The Voluntary Principles on Security and Human Rights*, which recommends that companies which cooperate with government security forces must, in their risk analyses, consider whether those forces have previously been responsible for human rights abuses.³

1 Global Compact/PRI's *Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors*, https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2FPeace_and_Business%2FGuidance_RB.pdf.

2 Report of the Working Group on the issue of human rights and transnational corporations and other business enterprises, *Business, Human Rights and Conflict-Affected Regions: Towards Heightened Action*, <https://undocs.org/en/A/75/212>

3 *The Voluntary Principles on Security and Human Rights*, <https://www.voluntaryprinciples.org/the-principles/>



The Council's work under the environment and climate criteria

In Section 3 of the GPFG's ethical guidelines, it says: "Companies may be excluded or placed under observation if there is an unacceptable risk that they contribute to or are themselves responsible for:

- c) severe environmental damage
- d) acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions".



Severe environmental damage

In 2020, the Council has continued working under the environment criterion with respect to companies whose operations harm World Heritage Sites, contribute to deforestation or lead to serious pollution from shipbreaking or mining. During the year, the Council focused particularly on issues relating to the loss of important biodiversity.

Many of the recommendations to exclude companies which the Council has issued under the environment criterion have been linked to the loss of globally endangered species and important ecosystems. During the year, the Council has pursued this topic. Several GPFG companies engage in production processes that make use of preparations made from animal parts. The Council is taking a close look at the companies' use of species that are at risk of becoming globally extinct and whose international trade is prohibited. The Council will assess whether the companies' use of such species may give grounds for their exclusion from investment by the GPFG.

Over a period of several years, the Council has examined companies whose operations may harm areas that UNESCO has classified as World Heritage Sites. The Council aims to expand its efforts to include other important protected areas, whose conservation values are threatened by companies' activities. The Council has commissioned a study of the extent to which GPFG companies have operations that could cause such harm. Depending on the study's outcome, the Council's efforts in 2021 will consist of selecting companies for further research and defining what could, potentially, constitute grounds for excluding companies from investment by the GPFG.

In 2020, the Council's work on deforestation has primarily comprised the follow-up of one company that has been placed under observation. Dialogue with the company has concerned the steps it has taken to preserve biodiversity and important conservation values in its oil palm plantations. The Council has also raised the situation facing indigenous people who live under extremely difficult conditions within the company's concession area.

Every year, a substantial number of ships are broken up on beaches in Asia. The process, known as beaching, involves extremely dangerous working conditions and causes serious pollution. Since 2017, the Council has reviewed companies that dispose of ships to be broken up for scrap on beaches in Bangladesh and Pakistan. In its beaching-related recommendations, the Council has assessed companies against both the environment and human rights criteria. In 2019, the Council began investigating the conditions under which ships are broken up for scrap in India, where there is also a large shipbreaking industry. The Council's investigations were made difficult in 2020 due to the Covid-19 pandemic, but will continue in 2021.

In 2019, the Council began investigating factories' discharge of antibiotics into watercourses in the area around Hyderabad, India. The matter is serious, but has proved difficult to investigate because of the large number of companies manufacturing antibiotics there. Since it has not been possible for the Council to identify individual companies' contributions to the problem, it has decided to discontinue any further investigation into these cases.

In 2020, the Council also embarked on a systematic review of the environmental harm linked to mining companies in the GPFG's portfolio.



The Council's work under the climate criterion

After a lengthy clarification process between the Council on Ethics, Norges Bank and the Norwegian Ministry of Finance, four companies were excluded in May 2020 on the grounds of unacceptable greenhouse gas emissions. The companies extract oil from oil sands, which also account for the bulk of their oil reserves. The extraction of oil from oil sands is extremely energy-intensive and therefore leads to materially higher greenhouse gas emissions per unit produced than oil production based on other resources. Absolute emissions and emission intensity levels have been the most important elements in the Council's recommendations relating to the climate, along with forward-looking assessments. Since the Ministry of Finance's clarification, the Council now also includes authorities' climate-related regulatory framework in its assessments.

The Council concentrates its efforts on extremely large individual emissions or business sectors and processes which, by their nature, generate high emission levels. This applies, for example, to the production of cement and steel, which the Council plans to work on in 2021.

While the Council's role is to advise on whether to exclude companies from the GPFG or place them under observation, Norges Bank undertakes a number of activities to manage the risk that greenhouse gases represent. Of the Bank's total risk-based divestment of shares in 314 companies that had taken place at the close of 2020, 170 were divested on the grounds of climate risk. Climate change was a topic discussed at over 500 of the almost 2,900 meetings with companies that the Bank held during the year. Cement is one of the business sectors that the Bank is also working on.⁴

With the guidelines that have been drawn up for the climate criterion, it is natural that the work of Norges Bank and the Council should overlap. Both institutions will prioritise sectors that generate substantial emissions, and the main focus will be on companies that perform below the industry average. In this area, therefore, there is a particular need for close coordination to establish an effective division of labour.

⁴ https://www.nbim.no/contentassets/fe0e2802b3f423ba2e514cfde1277d7/responsible-investments-2020_government-pension-fund-global_webversion.pdf p 41 and 91



The Council's work under the corruption criterion

In Section 3 of the GPFG's ethical guidelines, it says: "Companies may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for gross corruption."



A two-stage process underpins the Council's recommendations to place a company under observation or exclude it under the corruption criteria. First, it must be possible to determine that there is an unacceptable risk that a company has been involved in gross corruption. Thereafter, the Council assesses whether there is an unacceptable risk that the company may become involved in new corruption allegations. Both these conditions must be met before the Council will recommend observation or exclusion under the corruption criterion.

The most important sources of information for the Council's investigations relating to corruption cases are news reports and the work of investigative journalists, disclosures by public prosecutors or final verdicts, judgements or out-of court settlements. Occasionally, reports by civil society organisations may also contain information that is sufficiently specific to be used in the Council's assessments. Access to this type of information varies considerably in the different countries in which GPFG companies are registered or have their international operations. A fundamental challenge is that corruption risk is normally higher in those countries in which access to information from the media, judicial system, civil society organisations and the companies themselves is more restricted and unreliable, such as countries with authoritarian regimes.

Companies that are selected for further examination on the basis of the preliminary review of the corruption allegations made against them are systematically registered, sorted by sector and ranked with respect to their level of risk. This list is constantly being updated and expanded. Within certain sectors, allegations have been noted against such a large number of companies that it is possible to perform a more collective analysis of them.

In 2020, the Council issued one recommendation to exclude under this criterion. The Council recommended the exclusion of the Chinese oil company PetroChina Co Ltd, because it demonstrated little willingness to cooperate with the Council. At that

point, the company had been under observation since May 2017. In the Council's opinion, the company's lack of assistance in clarifying the case prompted questions about PetroChina's true willingness to prevent, detect and deal with corruption. In general, the Council considers it vital that companies under observation are willing to share information if the arrangement is to work as intended. In August, Norges Bank decided to follow up the company through active ownership.

The Italian defence company Leonardo SpA has been under observation since 2017. Due to the pandemic, it was not possible for the Council to meet with the company as planned in 2020. The 2020 observation report has therefore been postponed until 2021.

With respect to the corruption criterion, the Council devoted most time in 2020 to ongoing investigations into several companies, five of which have been given particular priority. Of these five, three belong to the Industrial Goods & Services sector⁵, while the remaining two are companies that were selected on the basis of the Council's 2019 review of oil service companies. In 2020, The Council has issued a recommendation to place one of these companies under observation.

In addition to its work relating to individual GPFG companies, the Council also strives to participate in and contribute to forums and processes in which anti-corruption is a key element. In 2020, the Council attended the World Bank's Fifth International Debarment Colloquium and Transparency International's 19th International Anti-Corruption Conference (IACC). As far as the Council is aware, its model – under which decisions to exclude or place companies under observation are made public – remains rather unique among the major sovereign wealth funds. The Council finds that there is a fair degree of international interest in this model, as a new and alternative measure in the anti-corruption field.

⁵ See FTSE Russell, February 2019: *Industry Classification Benchmark (Equity)*, https://research.ftserussell.com/products/downloads/ICB_Rules.pdf

Corruption linked to state-controlled oil companies

Since the Council started systematically monitoring the GPFG's portfolio with respect to corruption, the oil and gas sector has produced the second highest number of recorded cases. The sector with the most recorded cases – Industrial Goods & Services – is a very heterogeneous “supersector”, which also includes companies that supply the oil and gas industry. This picture accords with the findings of international surveys, where oil and gas stands out among the sectors with the world's highest corruption risk.

The high level of corruption risk must be seen in light of several factors. The exploitation of natural resources is traditionally associated with extraordinary returns (economic rent), which in and of itself may provide strong incentives for corrupt behaviour. Furthermore, oil and gas production projects are often extremely complex, consisting of many different components and actors, which can make it very challenging for an outsider to gain an overview of what is going on. The projects are also often large and long-lasting. It can take several years before the companies concerned receive a return on their invested capital. This can make it more difficult to resist any demands for bribes that may be made during the course of the project.

However, the main challenge relating to corruption risk in the oil and gas industry is, perhaps, that much of the world's oil and gas resources are located in countries with weak governance, an absence of democracy and weak institutions. In several of these countries, a wealth of natural resources has proved not to make a positive contribution, but has instead reinforced these negative societal features. This phenomenon is often referred to as the “resource curse”. The authorities in these countries have increasingly secured for themselves direct control over the extraction of oil and gas resources through the establishment of state-controlled oil companies, also known as National Oil Companies (NOCs), in which the state owns more than 50 per

cent of the shares. Where NOCs lack financial resources, technology or competence, they often form joint ventures with major international oil companies (IOCs). According to the Natural Resource Governance Institute's NOC database, there are a total of 71 NOCs in 61 countries worldwide. NOCs account for around 55 per cent of the world's oil production and control approx. 90 per cent of global oil and gas reserves.⁶ Almost all of the NOCs are in countries outside the OECD, the vast majority of them in countries with a high or extremely high corruption risk, according to indexes produced by Transparency International or the World Bank.

The corruption risk associated with NOCs is primarily a matter of *passive corruption*. In other words, the people in authority, who control the award of licences, procurement contracts, etc, demand or accept bribes from companies in return for choosing them as the operator, supplier, building contractor, and the like. In addition, corruption may include different forms of embezzlement and financial misconduct, where a portion of the NOC's revenues are syphoned off before they end up in the nation's coffers. These bribes or misappropriations may be channelled into private pockets, but may also be misused by governing political parties in connection with election campaigns and to buy support.

Some of the NOCs in the GPFG's portfolio have already been investigated for corruption (Petrobras and PetroChina, for example). However, the Council has not previously carried out a collective review of such GPFG companies. A review of this kind got underway in the autumn of 2020 and will continue in 2021.

⁶ National Resource Governance Institute. 2019. *The National Oil Company Database*, https://resourcegovernance.org/sites/default/files/documents/national_oil_company_database.pdf.



Proposed new guidelines for the observation and exclusion of companies from the GPFG

In June 2020, the publicly appointed Ethics Commission published a report containing proposed changes in the Guidelines for the Observation and Exclusion of Companies from the GPFG.⁷

⁷ NOU 2020: 7 "Values and responsibility", <https://www.regjeringen.no/no/dokumenter/nou-2020-7/id2706536/>



The Council was represented both in the Commission and its associated secretariat. The Norwegian Ministry of Finance circulated the report as part of a consultation process in June 2020 and will lay the matter before the Norwegian Storting in the spring of 2021. Based on the Storting's response, the Ministry will draw up an updated set of guidelines, which will then form the basis for the work related to observation and exclusion of companies carried out by both the Council on Ethics and Norges Bank.

The Commission proposes some new criteria for observation and exclusion, certain changes in the interpretation of existing criteria and certain adjustments in work processes and coordination between the Council and Norges Bank. In line with its mandate, the Commission's proposals retain the current organisational model, where an independent Council on Ethics advises Norges Bank to exclude companies or place companies under observation pursuant to guidelines established by the Ministry of Finance.

In brief, the Commission proposes the following changes, which have an impact on whether a company may be excluded from investment by the GPFG:

Product-based criteria:

- A new category, lethal autonomous weapons, is added to the list of weapons that may form grounds for exclusion.
- The interpretation of nuclear weapons is expanded to include delivery platforms that may be used only for nuclear weapons. In practice, this will apply primarily to naval vessels constructed to carry nuclear armaments.

Conduct-based criteria:

- A new criterion is introduced to enable the exclusion of companies if they sell military equipment to states that use it for serious and systematic humanitarian law violations.
- The corruption criterion is expanded to encompass gross financial crime.
- The interpretation of the term "contribution" is broadened slightly. This may, for example, mean that a company which finances a project may be excluded if the project will cause serious harm no matter how it is undertaken, or if the company which finances a project has not made any demands in a situation where it had the opportunity to do so and normal due diligence would have required it.
- Companies domiciled in states with repressive regimes may be excluded on the basis of less specific information about the company's contribution to norm violations than would normally be required, since these companies are presumed to have little freedom of action, while access to information is poor.

The Council's consultation response to the Commission's report follows below.



UNOFFICIAL ENGLISH TRANSLATION

*Consultation response submitted to
the Ministry of Finance 13 October 2020*

Consultation NOU 2020: 7 Values and Responsibility

The Council on Ethics for the Norwegian Government Pension Fund Global (GPFG) refers to the letter dated 24 June in which the Council is invited to submit its comments on NOU 2020:7 Values and Responsibility.

For the Council, it is important that the guidelines for the observation and exclusion of companies from the GPFG (ethical guidelines) are as clear as possible, and that the preparatory works also provide unambiguous directions for the work undertaken under those guidelines. Furthermore, the guidelines should answer the most important ethical challenges associated with the GPFG's investments. The Council considers that the Commission's report contributes to this. The report also addresses several of the comments which the Council submitted to the Ministry of Finance in its letter of 13 November 2018.⁸ While building on the current arrangement, the Commission proposes adjustments to both the guidelines and the interpretation thereof, which reflect new ethical issues and the expansion of the GPFG's investment universe.

In this letter, the Council wishes to give its broad support to the Commission's proposals and illustrate the impact they may have for the Council's work. Furthermore, the Council proposes the clarification of certain points and illustrates some dilemmas that may arise when implementing the guidelines.

1. Reintroduction of the objects clause

The Commission proposes the reintroduction of a clause setting out the purpose of the work performed under the GPFG's ethical guidelines. *"The object of the guidelines for the observation and exclusion of companies from the Norwegian Government Pension Fund Global (GPFG) is to avoid the Fund being invested in companies that cause or contribute to serious violation of fundamental ethical norms as determined in sections 3 and 4 of these guidelines".*⁹ The Council agrees that the purpose of the arrangement should be stated in the guidelines, and endorses the Commission's proposal.

The proposal will have little practical impact on the Council's work, since this object already underpins its work. When the Council embarks on an evaluation of a company, it is always with the goal of determining whether the company's activities fall within the scope of the guidelines. Nevertheless, the Council's assessment is affected by whether the company shows a willingness to implement measures that can reduce the risk of new norm violations. The GPFG can avoid an investment being in breach of the guidelines by selling its investment in the company or by the company changing its behaviour, either during the Council's assessment process or a period of formal observation, or while Norges Bank engages in a shareholder dialogue with the company.

⁸ The Council's letter to the Norwegian Ministry of Finance is available at https://www.regjeringen.no/contentassets/7fb88d969ba34ea6a0cd9225b28711a9/oppfolging_meldingen_spu2018.pdf.

⁹ All references to the guidelines refer to the Commission's proposed revised guidelines



2. The Commission's assessment of the product criteria

Extending their scope

The Commission recommends that the scope of the guidelines' section 3 (the product criteria) be extended from companies that are part of the GPFG's portfolio to also apply to companies that are solely in the reference index. No corresponding extension of the Council's duty to identify relevant companies has been proposed, see section 5(2) which states that the Council monitors the GPFG's "investments". Neither the background for this proposal nor its implications are not clearly expressed in the report.

The Council has understood the matter such that, under the current guidelines, the GPFG, in connection with the expansion of the reference index to new countries, must acquire a stake in tobacco companies, for example, before it is possible to formally exclude those companies and thereby exclude them from the reference index against which the GPFG's return is measured. The Commission's proposal will enable such companies to be excluded without the GPFG first acquiring a stake in them.

Since the Council monitors the GPFG's investments and not the reference index, Norges Bank must, in such cases, ask the Council to assess a company against section 5(3) of its ethical guidelines. A general duty to monitor the reference index would require additional resources, while providing little benefit, since there is no guarantee that the GPFG will acquire shares in a company included in the reference index.

The Council would otherwise like to point out that tobacco is defined as a separate sub-sector in the FTSE's classification system, which one might consider removing from the reference index in its entirety. The change proposed by the Commission should nevertheless be maintained, since there are tobacco-producing companies in other sectors too, and since the provision may also affect the other product criteria,

Proposed changes to the weapons criterion

The Commission proposes that the criterion relating to the exclusion of producers of certain types of weapon be amended such that the weapons types to which the provision applies are included in the criterion itself, and such that it is made clear that both the development and production of key components of such weapons shall lead to exclusion. This is currently only stated in the annual report to the Norwegian Storting on the GPFG's management. The Council agrees that key particularisations should be included in the guidelines rather than being stated in reports to the Storting. The Commission also proposes that lethal autonomous weapons be included in the list of weapons. The Council has previously pointed out that lethal autonomous weapons may contravene fundamental humanitarian principles, and endorses the inclusion of such weapons in the list.

Proposed changes to the interpretation of what may be included in the definition of nuclear weapons and their key components

The Commission proposes that certain types of delivery platforms should be deemed to be part of a nuclear weapon or its key components. This applies primarily to submarines, but may also encompass other types of platforms. The Council presumes that such an extension of the criterion's scope is relatively simple to operationalise, and that it would apply to a limited



number of companies. This has been a difficult demarcation issue for the Council, and it has not been obvious, based on the guidelines' preparatory works, where the line for what constitutes a nuclear weapon's key components should be drawn. The Council has no objections to the Commission's proposal, and is glad of clarification with respect to this issue.

The Commission points to several further issues that may be raised in connection with the assessment of products that have several applications, so-called *dual use*. To date, the development or production of products that may be used for several purposes, one of which relates to nuclear weapons, have not constituted grounds for the producer's exclusion. The Commission recommends that this practice be maintained, but admits that it may be necessary to make certain exceptions to this general rule if a growing number of dual-use systems and products should materialise going forward. The Council understands the proposal such that exemptions will relate to products where the *dual-use* capability significantly increases the risk of their unintentional use in nuclear weapons. The Council endorses this.

3. The Commission's assessment of the behavioural criteria

Proposed change to the human rights criterion

The Council endorses the Commission's proposal to delete the examples from the human rights criterion, and agrees with the Commission's view that a general reference to human rights, without a list of individual rights, constitutes a strengthening of the provision.

New behavioural criterion – Sale of weapons to certain states

Some have questioned whether today's criterion relating to serious infringement of the rights of individuals in war and conflict situations could apply to companies that sell weapons to warring states, which use them in violation of humanitarian law. The Council has taken the view that there must be a clear element of contribution to such violations through the sale and later use of these weapons if such a company is to qualify for exclusion under the war and conflict criterion. Thus far, therefore, the Council has not recommended the exclusion of companies on the grounds of the sale of weapons to such warring states. The Commission proposes the introduction of a new behavioural criterion relating to the sale of weapons to states involved in armed conflict, where there is an unacceptable risk that the weapons will be used in military operations that result in serious and systematic violation of humanitarian law. The Commission considers that the criterion should apply to weapons that can cause direct harm to civilians, and that in practice it will probably apply to powerful weapons whose consequences for civilians are extensive when they are used in violation of international law. At the same time, the Commission underlines that the criterion is not meant to apply to companies which sell weapons to warring parties that have established the necessary systems to comply with the rules for distinction, and that the violation of humanitarian law must be serious and lasting before the criterion may be invoked.

The Council endorses the Commission's proposal for the introduction of a new criterion in the guidelines. The Council notes that the threshold for exclusion under the proposed criterion is intended to be extremely high. Nevertheless, the Council considers that the threshold for exclusion is not as high as that applied by the Council when such weapons sales have been assessed under the existing war and conflict criterion, with respect to the extent of a company's contribution to the underlying norm violations. A new criterion will enable the maintenance of the contribution-based approach applied under the existing war and conflict criterion, while



introducing a more tailored and specific criterion for weapons sales. An individual assessment must nevertheless be performed, in which the products the company actually sells and the company's risk-reducing plans will play a role. The Council will facilitate the same type of dialogue with companies being assessed under this criterion as for other behavioural criteria.

The main challenge to operationalising this criterion will be access to relevant, reliable and up-to-date information. The Commission presumes the existence of suitable references that the Council may make use of to identify which conflicts the criterion shall apply to. The Commission also presumes that when an armed conflict develops such that one or more parties commit serious or systematic violations of humanitarian law, this will be reflected in their treatment by international and national bodies, such that in some cases it may be possible to obtain information from these. The Council considers that descriptions of lasting and systematic violations of humanitarian law should be based on a wide body of international sources from state and non-state institutions. The Council is aware of the existence of recognised, open databases that the Council may consult, in addition to reports from well-reputed civil society organisations. Relevant sources of information may, for example, also include reports to the UN Security Council, independent reports from expert or investigative commissions established under the auspices of the UN Human Rights Council or similar bodies, annual reports published by the International Committee of the Red Cross or court papers prepared for international tribunals such as the International Court of Justice in the Hague and the International Criminal Court or national court systems.

As the Commission points out, it could be difficult in certain types of cases to draw a sharp distinction between companies' operations and states' actions. The link between companies and states will be particularly strong in connection with the sale of military weapons. The Council's task has always been to assess the GPFG's investments in companies against its ethical guidelines, not to assess the actions of states. In the Council's view, it is important that this remains the case, even though recommendations to exclude companies under this criterion may be perceived as criticism of government authorities.

Corruption and other serious financial crime

The Council endorses the Commission's proposal to expand the corruption criterion to also encompass other serious financial crime. Firstly, the Council agrees with the Commission that, as a matter of principle, it would be inconsistent if in the area of finance only corruption were to lead to exclusion, since other forms of financial crime can have an equally harmful impact on society as corruption. Secondly, the Council has observed a growing number of cases relating to financial crime, particularly money laundering. This may be because banks and financial institutions are among the largest sectors in the GPFG.

Assessing corruption risk has been challenging for the Council, and only two companies have been excluded from the GPFG on this basis, despite many more having been involved in corruption. This may also be the case with respect to other financial crime. A prerequisite for assessing the exclusion of a company under the corruption criterion is that the company's involvement in corruption is well documented. As the Commission points out, companies involved in corruption generally go to great lengths to conceal the fact. Enforcement of corruption laws varies substantially from country to country, and it may be a matter of pure chance



whether and *when* information concerning corrupt acts comes to light. According to the Commission, such considerations mean that the probability of a company committing *new* corrupt acts should not have to meet such strict standards when assessing its exclusion. The Council understands this to mean that previous corrupt acts in and of themselves could be indicative of future risk, but that other factors may also be taken into account. The Council considers that all cases of financial crime that a company is involved in must be seen in conjunction, since they may in sum indicate that the company does not have systems in place to avoid becoming involved in such norm violations.

When assessing the risk of corruption, the Council attaches considerable importance to the measures that companies implement to avoid becoming involved in corruption once again. However, although companies that have been involved in financial crime often improve their formal compliance frameworks, by implementing codes of conduct, training programmes, third-party assessments, whistleblowing systems, etc, they may differ substantially in the degree to which the guidelines are complied with in practice. The Council's ability to make an accurate assessment depends on companies sharing detailed information. The Council therefore supports the Commission's proposal that companies' willingness and ability to cooperate in the elucidation of a case being assessed under this criterion should be given greater weight than before.

The Council agrees with the Commission's view that assessments of other types of financial crime may to some extent be based on the same approach as for corruption cases. Nevertheless, such assessments will require different competences and methods, as well as greater capacity than the Council currently has at its disposal. An increased effort in this area therefore presumes that the Council's secretariat is furnished with additional capacity and competence in the field of financial crime, which will necessarily take some time to organise.

4. Access to information and companies domiciled in countries with repressive regimes

The Commission's report addresses several of the concerns that the Council communicated to the Ministry of Finance in its letter of 13 November 2018. In this letter, the Council pointed out that some emerging markets are more challenging for the Council to deal with than others, and that this is in large measure due to a lack of access to information in closed countries with repressive regimes, where the human rights situation is also a matter of general concern. In such countries, the media and civil society are often unable to document and report on norm violations, the authorities themselves lack effective control mechanisms, and it can be positively dangerous to undertake independent field studies.

The Council considers that the Commission's proposals relating to these issues could be of help in working with such companies, even though many of the same challenges will remain, since the Commission does not propose any form of "prior filtration" of countries, sectors or companies. The Council has otherwise noted the Commission's highlighting of the fact that when approving new markets, Norges Bank must be expected to attach importance to the possibility of following up its mandated obligation to engage in responsible investment. In the Council's

view, this could have a major impact on whether the GPFG invests in companies that are domiciled in countries and engage in business sectors where the risk is particularly great.

Companies domiciled in countries with repressive regimes

The Commission raises issues that arise when the GPFG has invested in companies domiciled in countries whose legislation and underlying values deviate substantially from the norms on which the GPFG's ethical guidelines rest. The Council understands that these will primarily be countries with repressive regimes. Having concluded that the challenges pursuant to the GPFG's investments in such countries are difficult to resolve by means of a blanket avoidance of investing in, for example, specific countries or business sectors, the Commission discusses how individual companies in such countries may be handled.

The Council agrees with the Commission's view that the starting point for assessing such companies must be that all companies are assessed against the same ethical standards. Furthermore, the Council understands the Commission to mean that the tools the Council has at its disposal are not entirely suitable for dealing with such cases. The Commission therefore proposes two initiatives that are intended to mitigate this problem.

Firstly, the Commission proposes that, with respect to such companies, there should be particularly close communication between the Council and Norges Bank. As part of this dialogue, the Bank may decide whether shareholder dialogue or other mechanisms should be used with respect to the company. This may also include risk-based divestment. In the Bank's assessment of which measures should be implemented, the company's freedom of action may play a role. This means that engaging in shareholder dialogue will be effective only where there is real room for improvement. The Council therefore presumes that the Bank will, in practice, be obliged to consider risk-based divestment.

The Council supports this proposal partly because it may be difficult for it to assess a large number of such cases individually. Since this issue is mostly relevant for some individual countries, a large number of recommendations on such cases could also give the impression that the Council's assessments are directed against countries and not companies.

In the Council's opinion, the close communication between the Bank and the Council that the Commission recommends in such cases largely corresponds with the coordination that the Commission proposes in Chapter 16 for all cases. The Council's reservation with respect to such a general, formalised coordination is explained below in Section 6 *Coordination between the Council and Norges Bank*.

Secondly, the Commission proposes that recommendations to exclude companies domiciled in countries with repressive regimes may be given a slightly different form and orientation than other recommendations. In such cases, it is proposed that greater emphasis be placed on assessments of risk for countries and business sectors. Although the Council supports this approach, it will nevertheless base its assessment on tangible information relating to the individual company and will strive to perform those investigations that reasonable exertions permit. The Council will also be candid about the risk assessments that underpin its recommendations and will ensure that risk assessments at the country and business sector level are based on authoritative sources.



Thus, the Council supports these proposals, which enable companies domiciled in countries with repressive regimes to be excluded from investment by the GPFG following a slightly simplified process and with a slightly lower requirement for documentation than for other companies. Nevertheless, the Council considers that it would be best if the GPFG already at the outset could avoid investments where it is known that the level of ethical risk is extremely high. Even though, as the Commission points out, it is difficult to apply different forms of ranking or ethical indices to exclude entire countries or business sectors from the GPFG's benchmark index, due diligence assessments may nevertheless be used to identify individual companies or groups of companies where the risk of norm violations covered by the ethical guidelines is high.

As far as the Council understands, the GPFG – when it invests in countries not included in the reference index – does to some extent restrict investments in market segments where the ethical risk is extremely high. When investing in countries that are included in the benchmark index, it is more difficult for the GPFG to make such adjustments on its own. It is outside the Council's remit to assess which factors are relevant when determining the GPFG's reference index. However, the Council would like to point out that the ability to adjust the reference index should be assessed in more detail. The Council could also participate in such a process if desired.

Criticism of government authorities

The Council agrees with the Commission's view that direct criticism of other countries' governing authorities should be avoided as far as possible in connection with the Council's work, to avoid the appearance of being a foreign policy tool. At the same time, there are, in the Council's view, some cases where it will be necessary to describe circumstances under other authorities' control that breach the norms on which the GPFG's ethical guidelines rest. Examples include situations where companies in which the GPFG is invested contribute to serious norm violations perpetrated by the authorities, where the company is itself partly state-owned, or where the company operates within a national legal framework that infringes fundamental human rights.

Lack of access to information

A lack of access to information is not a problem restricted to countries with repressive regimes. For example, certain business sectors practise strict secrecy due to the nature of their operations. This applies to the defence industry and high-tech sectors, including companies that develop surveillance technology. Another cause of poor access to information may be the authorities' failure to implement and enforce existing regulations, for example in the area of anti-corruption.

The Commission proposes that a more purely risk-based approach be applied in such cases as well, while emphasising that this must be restricted to exceptional cases. The Council agrees that it is expedient to apply a risk-based approach in cases where access to information is limited. In the Council's view, this is most appropriate for extremely serious norm violations. The Council also agrees that the risk is heightened if the company itself does not reply to or share information with the Council. In the Council's view, a lack of cooperation on the part of a company is an even more important factor today than it was ten years ago. This is because the risk of norm violations has increased and the opportunities to obtain information have decreased, partly due to the expansion of the GPFG's investment uni-

verse. At the same time, general expectations have increased with respect to how companies handle ethical risks and how open they are about them.

A similar country and risk-based approach as the Commission proposes has already been trialled in the Council's recommendations relating to so-called *beaching* (a method involving extremely poor working conditions and serious environmental harm, by which ships are broken up on shallow beaches). When assessing such cases, the Council's starting point has been that beaching, as currently practised in Bangladesh and Pakistan, is nowhere undertaken in an acceptable manner. If the Council learns that companies in which the GPFG is invested dispose of ships for breakup in these countries it is not necessary to obtain more detailed knowledge of the specific working or environmental conditions where the individual ship is being broken up. The Council has engaged in dialogue with the companies concerned in these cases too, though primarily for the purpose of clarifying whether they intend to continue disposing of ships for breakup in these countries.

5. Other matters affecting work with respect to the guidelines

Underpinning norms

The Commission discusses the norms underpinning the management of the GPFG in general and its ethical guidelines. Since the ethical guidelines were established in 2004, there has been a significant development with respect to companies' social responsibility, particularly through the UN's Guiding Principles on Business and Human Rights. These principles have subsequently been incorporated into the OECD Guidelines for Multinational Enterprises, not just in the area of human rights, but also as a working method that companies should use to reduce the risk with respect to environmental harm and corruption. In overall terms, this means that companies should perform due diligence assessments, halt the norm violations they themselves have caused, remedy the harm they have caused, and use their influence to reduce the risk of norm violations to which they contribute or are related through their business associates.

In light of the fact that, in recent years, several reports from civil society organisations and research institutes have taken the position that failure to exclude companies linked to various norm violations constitutes a violation of the OECD guidelines, the Council finds it useful that the GPFG's ethical guidelines are being clarified. The Commission considers that responsibility for complying with the OECD guidelines lies with Norges Bank. The Commission also proposes the inclusion of the UN's Guiding Principles on Business and Human Rights in the Bank's investment management mandate, in the same way as the OECD guidelines, which have always been mentioned therein. The Council concurs.

The Council also agrees with the Commission's view that the GPFG's ethical guidelines should stand independently and not be linked closely to other guidelines. However, the Council notes that the Commission considers that such guidelines can guide the exercise of the Council's discretionary judgement. In 2019, the Council performed an evaluation of its work under the human rights criterion. One result of this evaluation was that the Council now uses definitions and approaches from the UN's Guiding Principles on Business and Human Rights when, for example, selecting which cases to assess. Here, the Council attaches importance to the gravity and scope of the norm violation, and whether the abuses lead to irrevocable harm. When assessing whether a company should be excluded from investment by the GPFG, the Council attaches importance to whether the company has caused the norm violation. Furthermore, the Council also examines what companies have done to remedy the harm they are responsible for.



The Council agrees with the Commission's view that this provides a more consistent application of the guidelines.

Companies' contribution to norm violations in their supply chains

The Commission points out that many of the most serious norm violations related to companies in which the GPFG is invested occur some way down their supply chains. The Council agrees with the Commission's view that there is nothing, in principle, to stop lengthy supply chains being assessed against today's ethical guidelines, as long as the company's contribution to the norm violation is clear.

At the same time, investigations into supply chains are often extremely resource intensive, while lines of responsibility can be fairly opaque. The Council supports the Commission's view that serious norm violations in complex supply chains may best be handled through structural changes that may require the efforts of several players at the same time, for example in the form of joint industry initiatives. The Council considers it important for the GPFG's legitimacy as a responsible investment manager that also these norm violations are handled using the tools that the GPFG as a whole has at its disposal. In this respect, there may be room for better coordination between the Council and Norges Bank than exists today.

Contribution to norm violations through project financing

The Commission discusses contribution by means of financing, since this is an issue that is much debated and that the Commission also received some feedback on. The Commission takes the view that it would take a lot for banks to be excluded from investment by the GPFG on the grounds of their lending activities or similar business practices, where the risk of norm violation springs from the client's behaviour without there being more tangible circumstances linking the banks' own behaviour more closely to the norm violation. The Council notes the Commission's view that project financing is a form of financing involving a closer link between bank and borrower than ordinary lending activities, and may therefore constitute grounds for exclusion from investment by the GPFG on certain conditions. The Council concurs. In its assessment of whether the threshold for exclusion has been reached, the Council attaches importance to both the seriousness of the norm violation and the company's proximity to it.

The Commission attaches importance to the fact that project financing will often make a material contribution to a project. The Commission further points out that the lender will have a complete overview of the plans for the project and the opportunity to make demands through specific clauses in the terms of lending. The Commission therefore considers that: "Overall, it may speak to the bank contributing to the harm the client causes if the bank has not made demands in a situation where it had the opportunity to do so, and a normal duty of care would indicate the necessity thereof."

The Commission also opens the possibility that an entity which finances a project may, in extremely serious cases, be excluded from investment by the GPFG even if it has no influence over how the project is executed. This refers to projects that will inevitably cause serious harm. In this context, the Commission also considers the extent to which the bank concerned's funds may be replaced by other financing to be relevant.

In addition, the Commission points out that the assessment must be forward looking, also as regards financing. Thus, it will not be sufficient to document that a bank has financed



a project that has caused serious harm. It will also be necessary to consider whether the bank has subsequently implemented measures to reduce the risk of doing so again.

To date, the Council has not recommended the exclusion of any financial institutions. Based on the contents of the guidelines and the preparatory works, it has been difficult for the Council to determine at precisely what point a financial institution can be said to contribute to norm violations that their clients are responsible for or contribute to. Based on the Commission's proposed delimitations, it will be possible for the Council to consider such cases, and the Council agrees with the Commission's delimitations.

The Council does not have an overview of where information concerning project financing may be obtained, nor does it have any experience of asking banks for information about clauses in their loan agreements. The Council presumes that it could be difficult to obtain such information, though this is no different from many other cases that the Council assesses. However, notwithstanding the bank-client confidentiality issues that may play a larger role here than in other cases, it must be possible for a bank to document that it has implemented effective measures if the Council is to attach importance thereto. The Council points out that some companies publish reports from monitoring programmes that have been undertaken at the behest of financial institutions. It should therefore be possible for banks to insert clauses requiring transparency with respect to such issues.

The Council presumes that the number of projects where it may be relevant to assess whether such delimitations apply will not be great. Nevertheless, it will increase the workload and require a competence that the Council does not currently possess. If the Council is to be able to thoroughly address this issue, its secretariat will therefore require reinforcement.

Proposals that can help to rationalise the work

The Commission points out that the current arrangement, involving an annual review of whether grounds for observation and exclusion still exist, is resource intensive and, in many cases, serves little purpose. The Commission proposes a change in the guidelines that softens up the provision relating to regular reviews, allowing a slightly more pragmatic approach to how often such cases should be reassessed.

The Council considers that the proposed change will lead to more efficient use of resources. The Council therefore endorses this Commission's proposal.

6. Coordination between the Council and Norges Bank

The Commission's proposal on coordination and information sharing

The Commission proposes a clarification of the guidelines' requirement for coordination to underline the importance of good coordination and information sharing in all phases of the work performed by Norges Bank and the Council. The Council concurs, but also underlines the importance of independent expertise and transparency with respect to ethical considerations. A fundamental aspect of the division of labour set out in the guidelines is that the Council performs its professional assessments independently of Norges Bank and the Ministry of Finance. The Council's public recommendations make it clear how ethical considerations have been assessed. Norges Bank's decisions, based on these recommen-



dations, are also made public. The Commission has highlighted the importance of this, pointing out, inter alia, that the publication of the Council's in-depth assessments contributes to an openness that is unique internationally and must be preserved. The Council therefore considers that the Commission, in certain areas, goes too far in suggesting that the Council automatically cut its cloth according to Norges Bank's planned activities.

The Commission says that the tools available under the guidelines shall remain unchanged, and that the tools are observation, exclusion or the exercise of active ownership based on the Council's recommendation to exclude or place a company under observation. At the same time, the Commission suggests that Norges Bank, as a general principle, shall consider whether it wishes to initiate measures early in the Council's assessment process. Here, "measures" may mean risk-based divestment or shareholder dialogue. If the Bank does so wish, the Commission is of the opinion that the Council ought to await the outcome of the Bank's initiatives.

A division of labour of this type could mean that many of the cases that the Council looks into would, in practice, be decided without the Council issuing any formal recommendation to exclude or place a company under observation. That would lead to less openness about the work being done under the guidelines and could also mean that Norges Bank has, in practice, the ability to restrict which cases the Council may consider. In the Council's view therefore, the Commission's statement to the effect that the Council "ought" to await the Bank's initiatives should be moderated such that the Council *should consider* conforming to Norges Bank's plans. In that case, although the Council would not automatically adapt its plans to the Bank's activities, a specific and comprehensive assessment of the situation might result in this being deemed an appropriate outcome.

Primarily, the guidelines should, in the Council's view, provide an overall framework for cooperation between Norges Bank and the Council. The Council therefore proposes this new first sentence in the Commission's proposed wording for the guidelines' section 7: *"Norges Bank and the Council on Ethics shall share information and coordinate their efforts with the aim of achieving effective interaction between the various measures and the best possible utilisation of the information obtained, and ensuring that the overall effort is perceived externally as being coordinated."* The question is then whether there is a need to specify which information shall be shared or how this shall be achieved. If the specification of relatively detailed directions is required, as is the case in the current guidelines and as the Commission also suggests, the Council proposes the removal from the proposed section 7(2) the proviso "such that the bank can consider relevant measures". The proposal's section 7(2) will then read: *"The Council provides the Bank with information about companies it has identified for an initial assessment under these guidelines. The Bank provides the Council with an overview of the companies it is working with and company information that may be relevant for the Council's assessments."* In the Council's opinion, this will give greater room to perform concrete assessments of individual cases, such that consideration for the Council's independence and the need for transparency with respect to how the ethical guidelines are practised, as discussed above, are met.

Over the past year, considerable progress has been made with respect to greater information sharing between Norges Bank and the Council. However, the Council still feels that there is much to be gained from increased coordination. For example, it could be envisaged that the Council and Norges Bank jointly decide to work with companies at each end of a supply chain,



with the Bank working with companies linked or contributing to a norm violation via a business associate, while the Council assesses companies directly responsible for norm violations. Norges Bank and the Council should have the freedom to develop their collaboration in line with the assumptions on which the guidelines rest. It is therefore important that neither the guidelines nor the preparatory works contain directives that restrict opportunities for further developing the collaboration or learning from experience.

New assessment when the exercise of shareholder influence is unsuccessful

The Commission also proposes procedures for cases where Norges Bank has elected to exercise its influence as a shareholder on the basis of a recommendation to exclude or place a company under observation. If the dialogue's objectives are not achieved, the Commission takes the view that Norges Bank must reconsider the Council's original recommendation. The Council believes that this is a good arrangement, since in that case it will be the Bank that will have followed up the company and is familiar with the company's efforts to prevent new norm violations. Since shareholder dialogues can take several years, the Council's knowledge of the company will be outdated, such that the Council would have to start a new assessment from scratch. The Council notes the Commission's view that in certain circumstances the Bank should be able to ask the Council for an updated recommendation. Although this may be expedient in some cases, the Council considers that Norges Bank must base its decisions primarily on the original recommendation and the information the Bank has itself obtained during the shareholder dialogue period.

Other provisions of importance for the work performed with respect to the guidelines

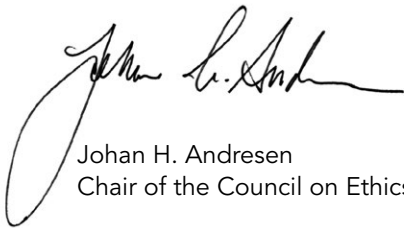
Other laws, regulations and guidelines also have an impact on the ability to comply with the GPF's ethical guidelines. For example, when the amended Norges Bank Act went into force at the start of the year, the Council was made subject to a duty of confidentiality with respect to "matters relating to the Bank or other commercial third parties". This may impose restrictions on the information the Council can include in its recommendations. The Council considers that there are grounds to examine more closely the provisions that it is subject to, both pursuant to the Norges Bank Act and the general statutory framework set out in the Public Information Act and the Public Administration Act. It must be possible for Norges Bank and the Council to share information with each other in confidence. The Council must also be able to obtain information from the companies concerned in confidence, but such that information about and from the company may be used and published in the Council's recommendations to exclude or place companies under observation.



7. The Council's competence and resources

Thus, the Council considers that the Commission answers several of the challenges posed by the significant expansion of the GPFG's investment universe, new ethical issues and deficient access to information. The task of identifying companies that should be excluded from the GPFG will nevertheless remain challenging. The Council presumes that its secretariat will be allocated adequate resources, but would also like to point out that the Council's own competence is important for the effective performance of its tasks. The Council considers that the number of council members should remain at the current level of five, but that it will be even more important to have robust processes in place to ensure the appointment of members who furnish the council with a body of competence that encompasses the full breadth of its mandate. It will be increasingly important for council members to develop their own competence, by means of subject-specific seminars for example. The Council hopes that collaboration with Norges Bank can make a significant contribution in this area as well, both because the Council needs a knowledge of investment management in order to perform its tasks and because the Bank has a high level of competence on issues that are relevant for the Council's assessments.

Yours faithfully,



Johan H. Andresen
Chair of the Council on Ethics



List of excluded companies as at 31 December 2020

Severe environmental damage

- Barrick Gold Corp
- Bharat Heavy Electricals Ltd
- Duke Energy Corp (Including the fully owned subsidiaries listed below)
 - Duke Energy Carolinas LLC
 - Duke Energy Progress LLC
 - Progress Energy Inc
- ElSewedy Electric Co
- Freeport-McMoRan Inc
- Genting Bhd
- Halcyon Agri Corp Ltd
- IJM Corp Bhd
- MMC Norilsk Nickel PJSC
- POSCO
- Posco International Corp
- Ta Ann Holdings Bhd
- Vale SA
- Volcan Cia Minera SAA
- WTK Holdings Bhd
- Zijin Mining Group Co Ltd

Severe environmental damage | Serious or systematic human rights violations

- Evergreen Marine Corp Taiwan Ltd
- Korea Line Corp
- Precious Shipping PCL
- Thoresen Thai Agencies PCL
- Vedanta Ltd

Serious violations of the rights of individuals in situations of war or conflict

- Shikun & Binui Ltd

Other particularly serious violations of fundamental ethical norms

- Elbit Systems Ltd
- San Leon Energy Plc

Gross corruption

- JBS SA
- ZTE Corp

Serious or systematic human rights violations

- Atal SA/Poland
- Centrais Eletricas Brasileiras SA (Eletrobras)
- G4S Plc
- Formosa Chemicals & Fibre Corp
- Formosa Taffeta Co Ltd
- Luthai Textile Co Ltd
- Page Industries Ltd
- Zuari Agro Chemicals Ltd

Unacceptable greenhouse gas emissions

- Canadian Natural Resources Limited
- Cenovus Energy Inc
- Imperial Oil Limited
- Suncor Energy Inc

Production of nuclear weapons

- Aerojet Rocketdyne Holdings Inc
- Airbus Finance BV
- Airbus SE
- BAE Systems Plc
- Boeing Co
- BWX Technologies Inc
- Fluor Corp
- Honeywell International Inc
- Huntington Ingalls Industries Inc
- Jacobs Engineering Group Inc
- Lockheed Martin Corp
- Northrop Grumman Corp
- Safran SA
- Serco Group Plc

Production of cluster munitions

- Hanwha Corp
- Poongsan Corp
- Textron Inc

Production of tobacco

- Altria Group Inc
- British American Tobacco Malaysia Bhd
- British American Tobacco Plc
- Gudang Garam tbk pt
- Huabao International Holdings Ltd
- Imperial Brands Plc
- ITC Ltd
- Japan Tobacco Inc
- KT&G Corp
- Philip Morris Cr AS
- Philip Morris International Inc
- Schweitzer-Mauduit International Inc
- Shanghai Industrial Holdings Ltd
- Swedish Match AB
- Universal Corp/VA
- Vector Group Ltd

Production of coal or coal-based energy

- Aboitiz Power Corp
- AES Corp
- AES Gener SA
- AGL Energy Ltd
- ALLETE Inc
- Alliant Energy Corp
- Ameren Corp
- American Electric Power Co Inc
- Anglo American PLC
- Capital Power Corp
- CESC Ltd
- CEZ AS
- China Coal Energy Co Ltd
- China Power International Development Ltd
- China Resources Power Holdings Co Ltd
- China Shenhua Energy Co Ltd
- Chugoku Electric Power Co Inc
- CLP Holdings Ltd
- Coal India Ltd
- CONSOL Energy Inc



- Datang International Power Generation Co Ltd
- DMCI Holdings Inc
- DTE Energy Co
- Electric Power Development Co Ltd
- Electricity Generating PCL
- Emera Inc
- Eneva SA
- Engie Energia Chile SA
- Evergy Inc
- Exxaro Resources Ltd
- FirstEnergy Corp
- Glencore PLC
- Great River Energy
- Guangdong Electric Power Development Co Ltd
- Gujarat Mineral Development Corp Ltd
- HK Electric Investments & HK Electric Investments Ltd
- Hokkaido Electric Power Co Inc
- Hokuriku Electric Power Co
- Huadian Energy Co Ltd
- Huadian Power International Corp Ltd
- Huaneng Power International Inc
- IDACORP Inc
- Inner Mongolia Yitai Coal Co Ltd
- Jastrzebska Spolka Weglowa SA
- Korea Electric Power Corp
- Lubelski Wegiel Bogdanka SA
- Malakoff Corp Bhd
- MGE Energy Inc
- New Hope Corp Ltd
- NRG Energy Inc
- NTPC Ltd
- Okinawa Electric Power Co Inc
- Otter Tail Corp
- PacifiCorp
- Peabody Energy Corp

- PGE Polska Grupa Energetyczna SA
- PNM Resources Inc
- Public Power Corp SA
- Reliance Infrastructure Ltd
- Reliance Power Ltd
- RWE AG
- Sasol Ltd
- SDIC Power Holdings Co Ltd
- Shikoku Electric Power Co Inc
- Tata Power Co Ltd
- Tenaga Nasional Bhd
- TransAlta Corp
- Tri-State Generation and Transmission Association Inc
- WEC Energy Group Inc
- Washington H Soul Pattinson & Co Ltd
- Whitehaven Coal Ltd
- Xcel Energy Inc
- Yanzhou Coal Mining Co Ltd

List of companies placed under observation

Severe environmental damage

- Astra International Tbk PT

Severe environmental damage | Serious or systematic human rights violations

- Pan Ocean Co Ltd

Gross corruption

- Leonardo SpA

Serious or systematic human rights violations

- Hansae Co Ltd
- Hansae Yes24 Holdings Co Ltd
- Nien Hsing Textile Co Ltd

Production of coal or coal-based energy

- Berkshire Hathaway Energy Co
- BHP Group Ltd/BHP Group Plc
- CMS Energy Corp
- EDP – Energias de Portugal SA
- Endesa SA
- Enel SpA
- Kyushu Electric Power Co Inc
- MidAmerican Energy Co
- NorthWestern Corp
- OGE Energy Corp
- Pinnacle West Capital Corp
- Portland General Electric Co
- SCANA CORP
- Southern Co
- Tohoku Electric Power Co Inc
- Uniper SE
- Vistra Corp

An updated list can be found at <https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/>



Published recommendations

**Table 2: List of companies about which recommendations were published in 2020**

Company	Criterion	Recommendation	Decision	Issued	Published
AECOM	Nuclear weapons	Revoke exclusion	Revoke exclusion	18.03.2020	13.05.2020
Canadian Natural Resources Ltd	Climate	Exclusion	Exclusion	07.11.2019	13.05.2020
Cenovus Energy Inc	Climate	Exclusion	Exclusion	07.11.2019	13.05.2020
Centrais Eletricas Brasileiras SA	Human rights	Exclusion	Exclusion	27.05.2019	13.05.2020
ElSewedy Electric Co	Environmental damage	Exclusion	Exclusion	02.07.2019	13.05.2020
Formosa Chemicals & Fibre Corp	Human rights	Exclusion	Exclusion	23.05.2019	31.08.2020
Formosa Taffeta Co Ltd	Human rights	Exclusion	Exclusion	23.05.2019	31.08.2020
Hangzhou Hikvision Digital Technology Co Ltd	Human rights	Exclusion	N/A	14.01.2020	18.09.2020
Imperial Oil Ltd	Climate	Exclusion	Exclusion	07.11.2019	13.05.2020
Page Industries Ltd	Human rights	Exclusion	Exclusion	19.02.2020	31.08.2020
PetroChina Co Ltd	Gross corruption	Exclusion	Active ownership	28.02.2020	31.08.2020
RWE AG	Climate	Exclusion	N/A	15.03.2018	13.05.2020
Suncor Energy Inc	Climate	Exclusion	Exclusion	07.11.2019	13.05.2020
Texwinca Holdings Ltd	Human Rights	Revoke exclusion	Revoke exclusion	19.02.2020	13.05.2020
Vale SA	Environmental damage	Exclusion	Exclusion	12.06.2019	13.05.2020

In 2020, the Council published recommendations to revoke the exclusion of two companies. AECOM was excluded from investment by the GPF in 2018 on the grounds of nuclear weapons production. The company is no longer involved in the production of nuclear weapons, thereby removing the grounds for its exclusion. The exclusion of Texwinca Holdings Ltd, which had been excluded due to the working conditions at one of its subsidiaries, was revoked because the company divested itself of the business concerned.

During the year, the Council published recommendations to exclude a total of 13 companies under four different criteria, including five under the climate

criterion. This is the first time companies have been excluded under this criterion since its introduction in 2016. It was recommended that Canadian Natural Resources Ltd, Cenovus Energy Inc, Imperial Oil Ltd and Suncor Energy Inc be excluded because a high proportion of their oil output is derived from oil sands, which generates materially higher greenhouse gas emissions per unit produced than other types of oil production.

The Council originally recommended the exclusion of these companies in 2017, which prompted Norges Bank to ask the Ministry of Finance to clarify how the climate criterion was to be understood. Following this



clarification, which was included in the Ministry's annual report to the Storting (Parliament) on the management of the GPF in April 2019, the Council updated its recommendations with information about the climate regulations to which the companies were subject. The Council upheld its recommendation to exclude these companies since they were not subject to a stringent climate-related regulatory regime.

The Council's 2018 recommendation to exclude RWE under the climate criterion was also published in 2020. Although RWE is Europe's largest producer of coal-fired electricity, it was not, in principle, covered by the coal criterion, as Norges Bank interpreted it, because it was classified as an energy company by the GPF's index provider. When the guidelines were changed and a quantitative threshold for the production of coal and coal power was set, and Norges Bank announced that the company had been excluded under the coal criterion, the Council withdrew its recommendation. It was therefore unnecessary for the Council to perform a new assessment of the company after the climate criterion had been clarified.

Two companies were excluded under the environment criterion in 2020 – both on the basis of recommendations issued by the Council in 2019. Vale SA was excluded as a consequence of the failure of tailings dams at two different locations, in 2015 and 2019 respectively, which caused a considerable loss of life. EISewedy Electric Co is constructing a hydropower plant in a World Heritage Site in Tanzania which is one of the largest remaining conservation areas in Africa.

The Council published recommendations to exclude five companies under the human rights criterion in 2020. The diversity of the cases illustrates the broad scope of the area encompassed by the human rights criterion. The assessment of the company Centrais Elétricas Brasileiras SA (Eletrobras) rests primarily on the company's role in the construction of the Belo Monte power plant on the Amazon. The construction has reduced the water flow that several indigenous groups depend on, through a 100 km stretch of the river. The construction has also led to the forced relocation of at least 20,000 people. The Council's recommendation to exclude the company was also due to its participation in other construction projects where indigenous and other vulnerable population groups have had their living conditions materially

impaired, and its plans to engage in further projects where there is also an unacceptable risk of human rights abuses.

The recommendations to exclude the companies Page Industries Ltd and Formosa Taffeta Co Ltd, along with the parent company Formosa Chemicals & Fibre Corp, result from the Council's investigations into working conditions at textiles companies which have been underway since 2015. The companies were excluded on the grounds of systematic labour rights abuses, revealed through investigations at their factories in India and Vietnam, respectively. With respect to Formosa Taffeta, the Council attached importance to the fact that the company has furnished it with misleading information about working hours, while Page failed to provide information that would shed light on the case.

The recommendation to exclude Hangzhou Hikvision Digital Technology Co Ltd was the first ever to be based on a company's contribution to human rights abuses through the development and sale of surveillance equipment. Underpinning the recommendation is the company's role in the authorities' mass surveillance of the population in Xinjiang, China. The company had signed five major contracts for the production, installation, operation and maintenance of five surveillance systems in the region. The Council attached importance to the fact that the company has undertaken to operate and maintain the systems for a period of between 11 and 21 years. In September 2020, the Council received a letter from Norges Bank stating that the case would not be considered on its merits because the GPF was no longer invested in the company. The Council therefore decided to withdraw its recommendation.

The Council published a recommendation to exclude one company under the corruption criterion in 2020. Although PetroChina Co Ltd had been under observation since 2017, it had shown little willingness to communicate with the Council. The Council took the view that PetroChina's failure to assist in illuminating the case constituted grounds to question its real desire to prevent corruption. In February 2020, the Council decided to uphold its previous recommendation to exclude PetroChina, while Norges Bank chose to follow the company up by exercising its shareholder influence.



Summaries of recommendations published in 2020

AECOM

Submitted 18 March 2020

AECOM has been excluded from the GPFG since 2018. The company is no longer involved in nuclear weapons production and the exclusion of the company has ceased.

The Council on Ethics submitted its recommendation 18 March 2020. Norges Bank published its decision to revoke the exclusion of the company on 12 May 2020.

Canadian Natural Resources Ltd

Submitted 7 November 2019

The Council on Ethics recommends that Canadian Natural Resources Ltd (Canadian Natural) be excluded from investment by the Government Pension Fund Global (GPFG) due to the greenhouse gas emissions from its extraction of oil from oil sand. According to the GPFG's ethical guidelines, companies may be excluded if there is an unacceptable risk that they contribute to or are responsible for unacceptable greenhouse gas emissions at an aggregate company level.

The Council on Ethics issued a similar recommendation to exclude the company on 30 May 2017. At that time, however, the criterion was open to different interpretations. This caused Norges Bank to refrain from making a decision on this case until further clarification had been obtained. The Norwegian Ministry of Finance subsequently clarified certain areas of the criterion's interpretation in Report No. 20 (2018–2019) to the Norwegian Storting.

The report states that companies' absolute emission levels, emission intensity and emission reduction policy and targets may constitute the primary grounds for assessment under the climate criterion. At the same time, the report makes it clear that recommendations must contain a description of any climate frameworks to which the company is subject. According to the report, where a company complies with laws and regulations and is covered by strict climate regulations, such as the EU's Emissions Trading Scheme (EU-ETS), its emissions cannot in themselves be said to constitute an unacceptable behaviour. The report further states that the EU's climate regulations must be considered stringent on the basis of its rules, compliance mechanisms, scale-down factor and emissions allowance pricing.

This recommendation has therefore been updated with respect to those issues affected by the Ministry's clarification.

Oil production in general produces high levels of greenhouse gas emissions, and the production of oil from oil sand generates in most cases materially higher greenhouse gas emissions than conventional oil production. The Council on Ethics finds that companies which base their operations on oil sand may therefore be said to have unacceptable greenhouse gas emissions.

Canadian Natural is a Canadian oil producer, with extensive production of oil from oil sand in Alberta, Canada. More than 90 per cent of the company's oil reserves are in oil sand, and over half →



of its oil production derives from oil sand. The extent of this production is rising sharply, and has more than trebled in three years. The company has reduced its emissions in recent years, but from a high level. Nevertheless, the company's greenhouse gas emissions per unit produced in 2018 were more than twice the global average and more than three times as high as from oil production in Europe.

Canadian Natural is subject to a climate framework that does not incorporate a cap-and-trade based emission trading mechanism, that has no scale-down factor and that has a carbon price that is very much lower than for oil production under the EU-ETS arrangement. The Council therefore takes the view that the company is not regulated by what Report No. 20 (2018–2019) describes as a stringent climate framework.

In its assessment of future risk, the Council on Ethics notes that Canadian Natural has set no quantified targets for reducing its greenhouse gas emissions, although it has a policy regarding lasting emission cuts. However, the Council does not consider that the measures are sufficiently concrete or the emission targets sufficiently ambitious. The Council therefore finds it highly unlikely that the company's emissions will fall to the level of the average for conventional oil. The Council also notes the company's publicly announced plans for a rapid, major expansion in its production of oil from oil sand, and its substantial oil sand reserves show that the company has a relatively long-term objective of basing much of its oil production on this resource.

Cenovus Energy Inc **Submitted 7 November 2019**

The Council on Ethics recommends that Cenovus Energy Inc (Cenovus) be excluded from investment by the Government Pension Fund Global (GPF) due to the greenhouse gas emissions from its extraction of oil from oil sand. According to the GPF's ethical guidelines, companies may be excluded if there is an unacceptable risk that they contribute to or are responsible for unacceptable greenhouse gas emissions at an aggregate company level.

The Council on Ethics issued a similar recommendation to exclude the company on 30 May 2017. At that time, however, the criterion was open to different interpretations. This caused Norges Bank to refrain from making a decision on this case until further clarification had been obtained. The Norwegian Ministry of Finance subsequently clarified certain areas of the criterion's interpretation in Report No. 20 (2018–2019) to the Norwegian Storting.

The report states that companies' absolute emission levels, emission intensity and emission reduction policy and targets may constitute the primary grounds for assessment under the climate criterion. At the same time, the report makes it clear that recommendations must contain a description of any climate frameworks to which the company is subject. According to the report, where a company complies with laws and regulations and is covered by strict climate regulations, such as the EU's Emissions Trading Scheme (EU-ETS), its emissions cannot in themselves be said to constitute an unacceptable behaviour. The report further states that the EU's climate regulations must be considered stringent on the basis of its rules, compliance mechanisms, scale-down factor and emissions allowance pricing. →



This recommendation has therefore been updated with respect to those issues affected by the Ministry's clarification.

Oil production in general produces high levels of greenhouse gas emissions, and the production of oil from oil sand generates in most cases materially higher greenhouse gas emissions than conventional oil production. The Council on Ethics finds that companies which base their operations on oil sand may therefore be said to have unacceptable greenhouse gas emissions.

Cenovus is a Canadian oil producer, with extensive production of oil from oil sand in Alberta, Canada. More than 90 per cent of the company's oil reserves are in oil sand, and between 2016 and 2018, it doubled its oil sand-based output. Since 2018, all of its oil production has derived from oil sand. The company has substantially reduced its greenhouse gas emissions per unit produced in recent years, but from a high level. Nevertheless, the company's greenhouse gas emissions per unit produced in 2018 were twice the global average and more than three times as high as from oil production in Europe. Cenovus aims to reduce its emissions by 33 per cent in the period 2016 to 2026.

Cenovus is subject to a climate framework that does not incorporate a cap-and-trade based emission trading mechanism, that has no scale-down factor and that has a carbon price that is very much lower than for oil production under the EU-ETS arrangement. The Council therefore takes the view that the company is not regulated by what Report No. 20 (2018–2019) describes as a stringent climate framework.

In its assessment of future risk, the Council on Ethics notes that Cenovus aims to achieve a significant reduction in its greenhouse gas emissions. However, the Council does not consider that the measures are sufficiently concrete or the emission targets sufficiently ambitious. The Council also points out that even if the company did realise its emission-reduction target, it would still not bring the company's emissions down to the average level for conventional oil production. The Council also considers that the company's considerable oil sand reserves show that Cenovus has a relatively long-term objective of basing much of its production on this resource.



Centrais Elétricas Brasileiras SA **Submitted 27 May 2019**

The Council on Ethics recommends that Centrais Elétricas Brasileiras SA (Eletrobras) be excluded from the Government Pension Fund Global (GPF) due to an unacceptable risk of breaching the Ethical Guidelines' section 3 (a) regarding serious or systematic human rights violations. Eletrobras is a Brazilian energy company engaged in a number of hydroelectric power projects. The Council has assessed the company's execution of the projects and the impact on affected groups.

While basing the assessment on Eletrobras's role in the construction of the Belo Monte power plant, the Council on Ethics has also taken into account the company's role in other hydroelectric projects and the future risk of violations in its enterprises. Belo Monte has been in partial operation since 2016 and is scheduled for completion in December 2019. With a licence to operate the hydroelectric power plant until 2045, Norte Energia has been in charge of the construction. Eletrobras is, by itself and through two wholly-owned subsidiaries, the main shareholder of Norte Energia and was also central to the planning of the project.

Human rights violations related to Belo Monte have been documented in reports from Brazilian authorities and international organizations. Many indigenous territories are severely affected by the project, in part due to the significantly reduced flow in a 100-km stretch of the river where various such territories are located. The project has led to increased pressure on indigenous lands, the disintegration of indigenous peoples' social structures and the deterioration of their livelihoods. The Council on Ethics rests on the understanding that the right of indigenous peoples to self-determination and consultation has not been respected in the implementation of the project.

The project has also resulted in the displacement of at least 20,000 individuals, including people with a traditional way of life who used to have their homes on islands and riverbanks that are now submerged. Forced relocation has been carried out on the basis of inadequate consultations and without giving those affected the possibility to maintain their living conditions. Some groups strongly affected by the project were not recognized as parties to the process and therefore not included in compensation schemes. The Council on Ethics finds it documented that this situation, at least such as it was until the authorities intervened from the middle of 2015, represented serious violations of the right to health and a satisfactory standard of living, including the right to housing, water and sanitation.

Despite basing its guidelines for social responsibility on the UN Guiding Principles on Business and Human Rights, Eletrobras gives little account of the steps it has taken to ensure compliance with these in practice. The company believes that human rights are protected as long as the developers have valid permits, even when there is documentation to the contrary. It seems that the company has neither examined the allegations of human rights violations related to the Belo Monte project nor assessed whether the mitigation measures have offset the dramatic consequences for those affected. In the Council on Ethics' view, this indicates that Eletrobras so far has failed to implement its own guidelines.

The Council on Ethics also gives weight to the fact that Eletrobras has been involved in other hydroelectric projects subject to criticism for human rights violations. Thus, Belo Monte is not an isolated case. Seen in conjunction with other hydroelectric projects, it paints a picture of a company that in general does not prioritize the protection of human rights. The company's considerable share in Brazil's power generation as well as its intention to take part in new hydroelectric projects lead the Council on Ethics to conclude that the risk of Eletrobras's continued contribution to serious or systematic human rights violations is unacceptable.



Elsewedy Electric Co **Submitted 2 July 2019**

The Council on Ethics for the Government Pension Fund Global (GPF) recommends that Elsewedy Electric Co (Elsewedy) be excluded from investment by the fund due to an unacceptable risk that the company is contributing to or is itself responsible for serious environmental damage. The Council's recommendation is a consequence of Elsewedy's participation in the construction of a dam and associated hydroelectric power plant on the Rufiji River at Stiegler's Gorge in Tanzania. The project, which is in a start-up phase, is located inside the Selous Game Reserve, an area that has been included on UNESCO's list of World Heritage Sites in Danger.

Elsewedy and the company Arab Contractors have been awarded a contract to construct the Stiegler's Gorge Hydropower Project on the Rufiji River, by Tanzania Electric Supply Company (TANESCO). Elsewedy and Arab Contractors have formed a joint venture in which Elsewedy holds 45 per cent of the shares. The Council on Ethics considers that the company has a significant influence over the project.

Selous Game Reserve is located in southern Tanzania. Extending over 50,000 km², it is one of the largest protected areas in Africa. The reserve is part of the vast Selous ecosystem that encompasses 90,000 km². Stiegler's Gorge is approx. 100 m deep and 100 m wide, and lies in the norther part of the reserve. The planned dam is 130m high and the resulting reservoir will have a surface area of 900–1,200 km². Construction work, which will also include a power plant, saddle dams, power lines and other infrastructure, is expected to take 36 to 60 months, starting in June 2019. Tree-felling in the reservoir area has already begun. The entire project will take place inside the world heritage site.

The Council on Ethics has attached importance to the fact that the reserve is one of the last remaining large-scale wilderness areas in Africa, and is considered of extraordinary importance for the preservation of biodiversity – also in a global context. It is the home of many of Africa's large mammals, such as elephants, rhinos, giraffes, buffalo and antelopes, and contains an extraordinary diversity of both flora and fauna. Many of the species in this area are found nowhere else, and several are endangered. Since there is no permanent human settlement in the reserve, it has been largely unaffected by human activity. The Council attaches considerable importance to the fact that for over a decade UNESCO has repeatedly, and in ever stronger terms, expressed grave concern about the planned construction of hydropower facilities within the world heritage site, due to the significant and irreversible damage a project of this type will have on the area's outstanding environmental value.

Construction of a 130 m dam with a reservoir surface area of up to 1,200 km², associated infrastructure, roads and power lines will undoubtedly entail massive and irreversible incursion into a practically pristine natural environment. At the same time, the Council notes that the project's environmental impact assessment has been deemed inadequate and incomplete by both the IUCN's and the company's own experts. In practice, there is no baseline data for natural and environmental values in the area that will be affected by the project. As a result, it is not known which environmental values are to be found there and what will be lost as a result of the project. In the Council's view, this amplifies the risk of serious environmental damage, which seems particularly high in areas of extraordinary global significance for biodiversity. →



Elsewedy was awarded the construction contract in December 2018 and is not responsible for decisions, assessments and plans drawn up before that date. The Council finds it laudable that Elsewedy has, on its own initiative, decided to obtain more data to reduce the project's environmental impact, and that it will also make changes to the project's design to mitigate the damage done as far as possible. However, Elsewedy has been aware from the outset of the Selous Game Reserve's protected status, and UNESCO's position on this matter has been a matter of public record for more than a decade. Elsewedy can therefore not have been ignorant of the environmental risks associated with the project, yet still decided to take part in its construction.

The Council on Ethics attaches material importance to UNESCO's assessment that the hydropower project will cause widespread and irreversible harm to a World Heritage Site. According to the World Heritage Centre, the damage caused by the deforestation that is already underway will be so great that it could lead to the Selous Game Reserve losing its World Heritage status. Mitigating measures would have little impact on this potential outcome.

The Council on Ethics therefore concludes that there is an unacceptable risk that Elsewedy is contributing to or is itself responsible for serious environmental damage.

Formosa Chemicals & Fibre Corp and Formosa Taffeta Co Ltd Submitted 23 May 2019

The Council on Ethics recommends that the company Formosa Chemicals & Fibre Corp and its subsidiary Formosa Taffeta Co Ltd be excluded from investment by the fund due to an unacceptable risk that the companies cause systematic human rights abuses.

Among other things, Formosa Taffeta produces woven fabrics at production facilities in Taiwan, China and Vietnam. Investigations into working conditions at Formosa Taffeta's factory in Vietnam identified numerous labour rights violations such as the illegal and involuntary use of overtime, underpayment of employees, discrimination, and violations of occupational health and safety requirements. The Council on Ethics emphasises that Formosa Taffeta has provided misleading information about working hours to the Council, and that it in practice does little to prevent the abuse of labour rights within its own operations.



Hangzhou Hikvision Digital Technology Co Ltd
Submitted 14 January 2020

The Council on Ethics recommends that Hangzhou Hikvision Digital Technology Co Ltd be excluded from investment by the Government Pension Fund Global (GPF) due to an unacceptable risk that the company is contributing to serious human rights violations.

Hikvision is a global Chinese technology company that provides products and services in the field of surveillance technology. This recommendation concerns Hikvision's role in the mass surveillance in the Xinjiang region of China.

The inhabitants of Xinjiang, in particular the ethnic minority Uighurs and other Muslim minorities, are subject to extensive surveillance, which can lead to arbitrary detention in internment camps. The detainees are isolated from their families and do not know when they will be released. The detainees are also subjected to indoctrination, and there have been reports of psychological and physical abuse. It is estimated that at least 800,000 people from Muslim minority groups are detained in these camps.

In 2017, Hikvision entered into five public-private partnerships with the authorities in Xinjiang, worth a combined total of approximately CNY 1.86 billion. The projects involve the production, installation, operation and maintenance of surveillance systems. The company confirmed the projects in its half-year report for 2019. The Council finds that the company, through its participation in these projects, facilitates serious human rights abuse.

The company has not provided specific information about what it is doing to avoid participating in ongoing human rights abuses in Xinjiang. The Council attaches importance to the fact that the company has undertaken to operate and maintain the projects for periods ranging from 11 to 21 years. The Council therefore finds that there is an unacceptable risk that the company will continue to contribute to human rights abuse in the future.

Imperial Oil Ltd
Submitted 7 November 2019

The Council on Ethics recommends that Imperial Oil Ltd (Imperial) be excluded from investment by the Government Pension Fund Global (GPF) due to the greenhouse gas emissions from its extraction of oil from oil sand. According to the GPF's ethical guidelines, companies may be excluded if there is an unacceptable risk that they contribute to or are responsible for unacceptable greenhouse gas emissions at an aggregate company level.

The Council on Ethics issued a similar recommendation to exclude the company on 29 June 2017. At that time, however, the criterion was open to different interpretations. This caused Norges Bank to refrain from making a decision on this case until further clarification had been obtained. The Norwegian Ministry of Finance subsequently clarified certain areas of the criterion's interpretation in Report No. 20 (2018–2019) to the Norwegian Storting.



The report states that companies' absolute emission levels, emission intensity and emission reduction policy and targets may constitute the primary grounds for assessment under the climate criterion. At the same time, the report makes it clear that recommendations must contain a description of any climate frameworks to which the company is subject. According to the report, where a company complies with laws and regulations and is covered by strict climate regulations, such as the EU's Emissions Trading Scheme (EU-ETS), its emissions cannot in themselves be said to constitute an unacceptable behaviour. The report further states that the EU's climate regulations must be considered stringent on the basis of its rules, compliance mechanisms, scale-down factor and emissions allowance pricing.

This recommendation has therefore been updated with respect to those issues affected by the Ministry's clarification.

Oil production in general produces high levels of greenhouse gas emissions, and the production of oil from oil sand generates in most cases materially higher greenhouse gas emissions than conventional oil production. The Council on Ethics finds that companies which base their operations on oil sand may therefore be said to have unacceptable greenhouse gas emissions.

Imperial is a Canadian oil producer, with extensive production of oil from oil sand in Alberta, Canada. More than 95 per cent of the company's oil reserves are in oil sand, and more than 95 per cent of its oil production derives from oil sand. In recent years, the company has employed technology which reduces greenhouse gas emissions at one field, but from a high level. The company's greenhouse gas emissions per unit produced in 2018 were more than twice the global average, and more than four times as high as oil production in Europe. The company aims to reduce its greenhouse gas emissions by 10 per cent from 2016 to 2023.

Imperial is subject to a climate framework that does not incorporate a cap-and-trade based emission trading mechanism, that has no scale-down factor and that has a carbon price that is very much lower than for oil production under the EU-ETS arrangement. The Council therefore takes the view that the company is not regulated by what Report No. 20 (2018–2019) describes as a stringent climate framework.

In its assessment of future risk, the Council on Ethics notes that Imperial aims to reduce its greenhouse gas emissions, but cannot see that the initiatives are sufficiently concrete or that the emission target is sufficiently ambitious. The Council also points out that even if the company did realise its emission-reduction target, it would still not bring the company's emissions down to the average level for conventional oil production. Furthermore, the Council takes the view that the company's considerable oil sand reserves show that Imperial has a relatively long-term objective of basing much of its oil production on this resource.



Page Industries Ltd
Submitted 19 February 2020

The Council on Ethics recommends that Page Industries Ltd be excluded from investment by the Government Pension Fund Global due to an unacceptable risk that the company causes systematic human rights abuses.

Page is an Indian textiles company with an exclusive licence to produce, sell and market lingerie and swimwear for two international brands. The company has 17 production facilities in India. Investigations into working conditions at one of the company's factories identified numerous labour rights violations, including verbal and physical harassment of employees and occupational health and safety hazards. The company also seems to restrict employees' rights to organise. The Council emphasises that Page has not provided any information to help clarify the case or how it works to prevent norm violations at its facilities. In practice it seems as though the company does little to prevent the abuse of labour rights in its operations.

PetroChina Co Ltd
Submitted 28 February 2020

The Council on Ethics maintains its recommendation of December 2016 to exclude PetroChina from the Government Pension Fund Global (GPF) due to an unacceptable risk that the company contributes to or is responsible for gross corruption. The company has been under observation since May 2017, but has shown little willingness to communicate with the Council on Ethics. As a consequence, central questions related to PetroChina's follow-up of previous corruption allegations and the company's handling of corruption risks in its operations abroad are still unresolved. The Council on Ethics also believes that the company's lack of assistance in shedding light on the situation gives grounds to question PetroChina's actual willingness to prevent, detect and deal with corruption.



RWE AG

Submitted 15 March 2018

The Council on Ethics recommends excluding RWE AG due to an unacceptable risk of the company contributing to or being responsible for acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions.

RWE falls outside Norges Bank's definition of a power company and has therefore not been assessed against the coal criterion. This is because the company has considerable incomes from other activities, so that the incomes from power production are below 30 per cent, which is the threshold for being assessed against this criterion. In that the company has very large greenhouse gas emissions from its power production, the Council on Ethics believes it must be assessed against the emissions criterion.

In its assessment, the Council has placed emphasis on the total production emissions, the company's greenhouse gas emissions at an aggregate level compared to other companies' production of corresponding products and the company's plans to reduce the emissions to an acceptable level.

RWE produces and trades in electricity. The company has nuclear power plants and power plants based on lignite, black coal, biomass and gas, and is Europe's fourth-largest power producer. RWE states that it is also the world's largest producer of lignite.

The company states on its website that it has Europe's highest greenhouse gas emissions and that these emissions are well above the average of its competitors. This is particularly due to two factors: the company has many old power plants - large facilities that are 40–50 years old – and it uses a bigger percentage of coal, and especially lignite, than most large European power producers.

The company has commented on a draft of this recommendation and places emphasis on its plans to reduce emissions and on measures that have already been implemented. It has renewed 25 per cent of its power production over the past decade and doubled its gas-based capacity. RWE also underlines that it has closed several old production units. It also states that it has not decided whether it will build a disputed new lignite-fired power plant, and also that if it does do so, this will replace other power plants so that the CO₂ emissions will still be reduced. The company states that it reduced its CO₂ emissions by 18 per cent between 2012 and 2016 and that the emissions will decline by an additional 30 per cent by 2030.

The Council notes that RWE itself states it has Europe's highest greenhouse gas emissions irrespective of sector, and thus has a very high absolute emissions level. Although the company has doubled its gas capacity and reduced its CO₂ emissions through renewals over the past few years, a significant part of its power production is still based on coal. It is undisputed that generating electricity from coal in general produces much higher greenhouse gas emissions than if other power sources are used. It is also clear that lignite produces larger emissions than black coal. Around 35 per cent of RWE's power production is based on lignite.

Another important factor when deciding whether the emissions are unacceptable is the emission intensity. The Council finds that older power plants are in general assumed to have larger emissions per produced unit of power than newer power plants. RWE's considerable volume of old lignite →



plants contributes to a higher emission intensity. The company alleges it has implemented a number of measures to reduce emissions since 2012 and refers to the fact that its emissions have declined considerably during this period. The Council notes that the percentage of black coal has been reduced. However, the percentage of lignite has not changed significantly during the same period. The situation following the cuts is that RWE still has a significantly higher emission intensity than most of its competitors.

Since 2012, RWE has reduced its emissions by around 20 per cent. However, the company still appears to be operating old and less efficient power plants for longer than its competitors. It is also more actively building new lignite-fired power plants when other power suppliers are no longer focusing on this type of high-emission power plant.

A company's plans and outlook will be important elements in the Council's assessment of the risk of unacceptable greenhouse gas emissions. The company plans to reduce its greenhouse gas emissions by around 30 per cent by 2030. Some of this reduction is based on the company planning to have its lignite-fired power plants in operation for shorter periods. At the same time, RWE is continuing to base a lot of its power production on coal, and a significant percentage of this is lignite. The company has continued to build and plan lignite-fired power plants right up to the present date and is planning to operate some lignite mines until around 2050. Following an overall assessment, the Council finds it is very uncertain whether the outlined measures and plans will reduce the company's greenhouse gas emissions to the level of its competitors.

The Council therefore concludes that there is an unacceptable risk that RWE will have very high greenhouse gas emissions for a long time to come.



Suncor Energy Inc

Submitted 7 November 2019

The Council on Ethics recommends that Suncor Energy Inc (Suncor) be excluded from investment by the Government Pension Fund Global (GPF) due to the greenhouse gas emissions from its extraction of oil from oil sand. According to the GPF's ethical guidelines, companies may be excluded if there is an unacceptable risk that they contribute to or are responsible for unacceptable greenhouse gas emissions at an aggregate company level.

The Council on Ethics issued a similar recommendation to exclude the company on 30 May 2017. At that time, however, the criterion was open to different interpretations. This caused Norges Bank to refrain from making a decision on this case until further clarification had been obtained. The Norwegian Ministry of Finance subsequently clarified certain areas of the criterion's interpretation in Report No. 20 (2018–2019) to the Norwegian Storting.

The report states that companies' absolute emission levels, emission intensity and emission reduction policy and targets may constitute the primary grounds for assessment under the climate criterion. At the same time, the report makes it clear that recommendations must contain a description of any climate frameworks to which the company is subject. According to the report, where a company complies with laws and regulations and is covered by strict climate regulations, such as the EU's Emissions Trading Scheme (EU-ETS), its emissions cannot in themselves be said to constitute an unacceptable behaviour. The report further states that the EU's climate regulations must be considered stringent on the basis of its rules, compliance mechanisms, scaledown factor and emissions allowance pricing.

This recommendation has therefore been updated with respect to those issues affected by the Ministry's clarification.

Oil production in general produces high levels of greenhouse gas emissions, and the production of oil from oil sand generates in most cases materially higher greenhouse gas emissions than conventional oil production. The Council on Ethics finds that companies which base their operations on oil sand may therefore be said to have unacceptable greenhouse gas emissions.

Suncor is a Canadian oil producer, with extensive production of oil from oil sand in Alberta, Canada. 95 per cent of the company's oil reserves are in oil sand, and around 85 per cent of its oil production derives from oil sand. The company has substantially reduced its greenhouse emissions in recent years, but from a high level. The company's greenhouse gas emissions per unit produced in 2018 were more than twice the global average, and more than four times higher than from oil production in Europe. Suncor aims to reduce its emissions by 30 per cent in the period to 2030.

Suncor is subject to a climate framework that does not incorporate an emission trading mechanism, that has no scale-down factor and that has a carbon price that is very much lower than for oil production under the EU-ETS arrangement. The Council therefore takes the view that the company is not regulated by what Report No. 20 (2018–2019) describes as a stringent climate framework.

In its assessment of future risk, the Council on Ethics notes that Suncor aims to achieve significant reductions in its greenhouse gas emissions. However, the Council does not consider that the measures are sufficiently concrete or the emission targets sufficiently ambitious. The Council also points out that even if the company did realise its emission-reduction target, it would still not bring the company's emissions down to the average level for conventional oil production. The Council also considers that the company's considerable oil sand reserves show that Suncor has a relatively long-term objective of basing much of its oil production on this resource.



Texwinca Holdings Ltd
Submitted 19 February 2019

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

Texwinca is a Chinese company that produces textiles and garments. On 5 June 2018, the Council on Ethics recommended to exclude the company on the grounds of systematic labour rights abuses at two garment factories wholly owned by the company Megawell, in which Texwinca held 50 per cent of the shares. Megawell was wound up in 2019, and its two garment factories closed down. Therefore, there are no longer grounds for maintaining its exclusion of Texwinca.

Vale SA
Submitted 12 June 2019

The Council on Ethics of the Government Pension Fund Global (GPF) recommends that Vale SA (Vale) be excluded from investment by the fund due to an unacceptable risk that the company is responsible for serious environmental damage.

Vale is the world's largest producer of iron ore and has various types of mining operations and other activities in approx. 30 countries. In November 2015, a tailings dam at a mine in Brazil belonging to the company Samarco, a joint venture in which Vale has an equal partnership with BHP Billiton. 19 people died, and the damage to the environment was severe. An inquiry commissioned by BHP Billiton found serious faults at the dam. These faults were of a kind that makes it probable the company was aware of them.

In January 2019, another of Vale's tailings dams in Brazil collapsed, causing a provisional death toll of 237 people. The inquiry into this accident has not yet concluded, but there are several similarities between the two incidents. Failures in the dams' construction, maintenance and monitoring have been identified. Vale has a total of 45 tailings dams in Brazil.

An additional element in the Council on Ethics' assessment is the fact that the company had sited office and canteen facilities downstream of the dam, and had failed to establish adequate warning systems to avoid significant loss of human life.

Regardless of what caused the accident in 2015, the measures subsequently implemented by the company were insufficient to avoid the 2019 collapse.

The Council on Ethics has considered these two accidents with respect to the ethical guidelines' criterion on environmental damage, and recommends the company's exclusion on this basis.



Observation

Section 6 (4) of the GPFG's guidelines states that "observation may be decided when there is doubt as to whether the conditions for exclusion are met or as to future developments, or where observation is deemed appropriate for other reasons."

Table 3: List of companies under observation as of 1 January 2020

Company	Criterion	Issued
Astra International Tbk PT	Severe environmental damage	Observation report
Hansae Co Ltd	Human rights	Observation report
Hansae Yes24 Holdings Co Ltd	Human rights	Observation report
Leonardo SpA	Gross corruption	Postponed
Nien Hsing Textile Co Ltd	Human rights	Postponed
Pan Ocean Co Ltd	Human rights and severe environmental damage	Postponed
PetroChina Co Ltd	Gross corruption	Recommendation to exclude

The Council is responsible for following up companies that have been placed under observation at its recommendation. The Council may at any point in the observation period recommend that a company be excluded from the fund or removed from the list of companies under observation. Norges Bank is responsible for following up companies that it itself has placed under observation under the coal criterion.

During the observation period, the Council normally provides Norges Bank with an annual assessment of each company. The Council obtains information from open sources, but may also commission its own investigations. The Council's observation reports are published on its website along with the recommendation upon which it rests.

The observation process depends on good cooperation between the companies concerned and the Council. A draft report to Norges Bank is sent to the

companies for their comments, and meetings are also often held with them. In 2020, the Council issued two observation reports and recommended the exclusion of one company that was under observation. During the year, the Council met with three companies under observation. The Council did not issue observation reports on three companies under observation, partly because observation has been made difficult by the Covid-19 pandemic.

Astra International Tbk PT has been under observation since 23 October 2015, due to a risk that the company, through its subsidiary's conversion of tropical forest to oil palm plantations, is responsible for serious environmental damage. The company does not seem to have opened up any new areas of peat bog or forest in its concession area since 2015. Based on available information, the Council considers that the systems and measures implemented by the company during the observation period seem to have reduce



the risk of serious environmental damage. The Council therefore recommended that observation of the company under the environment criterion be brought to an end. The situation facing the indigenous Orang Rimba people, who live under extremely difficult conditions in one of the company's concession areas, first came to the Council's attention towards the end of 2018. For this reason, the Council wished to continue observing the company for a further year to assess what it was doing to avoid contributing to the infringement of indigenous peoples' rights.

On 5 May 2017, the Council recommended the exclusion of Hansae Yes24 Holdings Co Ltd and its subsidiary Hansae Co Ltd, due to an unacceptable risk that they were responsible for systematic labour rights abuses at their garment factories. On 23 June 2017, Norges Bank decided to place the companies under observation, and asked the Council to monitor developments in the case. The Council's assessment was based largely on investigations into working conditions at Hansae's factories in Vietnam, which revealed widespread labour rights abuses. Since May 2017, Hansae has implemented a number of measures to improve working conditions. In the second half of 2019, the Council commissioned an investigation into working conditions at Hansae Haiti to evaluate the implementation of Hansae's policies in other parts of its business.

In general, the norm violations here were less extensive than at Hansae Vietnam. Nevertheless, the investigation showed that implementation of the company's guidelines remains a challenge for the company. The Covid-19 pandemic has made it diffi-

cult for the company to implement certain measures as planned, and is making it difficult for the Council and others to investigate working conditions at the factories. In such a situation, the risk of labour rights abuses could increase. The Council will therefore continue to observe Hansae's efforts to prevent labour rights abuses and, pandemic permitting, will carry out a new investigation of the company's factories in 2021.

The Council recommended the exclusion of Petro-China Co Ltd, since the company failed to provide sufficient information to enable its observation. However, Norges Bank decided instead to exercise its influence as a shareholder of the company.



Guidelines for observation and exclusion from the Government Pension Fund Global

Guidelines for observation and exclusion from the Government Pension Fund Global

This translation is for informational purposes only. Legal authenticity remains with the original Norwegian version. The Norwegian version, Retningslinjer for observasjon og utelukkelse fra Statens pensjonsfond utland, can be found on lovdata.no. This unofficial English version is last updated 2 September 2019.

Adopted 18 December 2014 by the Ministry of Finance pursuant to the Royal Decree of 19 November 2004 and section 2, second paragraph, and section 7 of Act no. 123 of 21 December 2005 relating to the Government Pension Fund. Amended 21 December 2015, 1 February 2016, 31 January 2017 and 1 September 2019.

Section 1. Scope

(1) These guidelines apply to the work of the Council on Ethics for the Government Pension Fund Global (the Council on Ethics) and Norges Bank (the Bank) on the observation and exclusion of companies from the portfolio of the Government Pension Fund Global (the Fund) in accordance with the criteria in sections 2 and 3.

(2) The guidelines cover investments in the Fund's equity and fixed-income portfolios.

(3) The Council on Ethics makes recommendations to the Bank on the observation and exclusion of companies in the Fund's portfolio in accordance with the criteria in sections 2 and 3, and on the revocation of observation and exclusion decisions; cf. section 5(5) and section 6(6).

(4) The Bank makes decisions on the observation and exclusion of companies in the Fund's portfolio in accordance with the criteria in sections 2 and 3, and on the revocation of observation and exclusion decisions; cf. section 5(5) and section 6(6). The Bank may on its own initiative make decisions on observation and exclusion and on the revocation of such decisions; cf. section 2(2)-(4).

Section 2. Criteria for product-based observation and exclusion of companies

(1) The Fund shall not be invested in companies which themselves or through entities they control:

- a) produce weapons that violate fundamental humanitarian principles through their normal use
- b) produce tobacco

c) sell weapons or military materiel to states that are subject to investment restrictions on government bonds as described in the management mandate for the Government Pension Fund Global, section 3-1(2)(c).

(2) Observation or exclusion may be decided for mining companies and power producers which themselves or through entities they control

a) derive 30 per cent or more of their income from thermal coal,

b) base 30 per cent or more of their operations on thermal coal,

c) extract more than 20 million tonnes of thermal coal per year, or

d) have a coal power capacity of more than 10 000 MW from thermal coal.

(3) In assessments pursuant to subsection (2) importance shall also be given to forward-looking assessments, including any plans the company may have that will change the level of extraction of coal or coal power capacity relating to thermal coal, reduce the income ratio or business share based on thermal coal and/or increase the income ratio or business share relating to renewable energy sources.

(4) Recommendations and decisions on exclusion of companies based on subsections (2) and (3) above shall not include green bonds issued by the company in question where such bonds are recognised through inclusion in specific indices for green bonds or are verified by a recognised third party.

Section 3. Criteria for conduct-based observation and exclusion of companies

Companies may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for:

- a) serious or systematic human rights violations, such as murder, torture, deprivation of liberty, forced labour and the worst forms of child labour
- b) serious violations of the rights of individuals in situations of war or conflict
- c) severe environmental damage
- d) acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions

- e) gross corruption
- f) other particularly serious violations of fundamental ethical norms.

Section 4. The Council on Ethics

(1) The Council on Ethics consists of five members appointed by the Ministry of Finance (the Ministry) after receiving a nomination from the Bank. The Ministry also appoints a chair and deputy chair after receiving a nomination from the Bank. The Bank's nomination shall be submitted to the Ministry no later than two months prior to the expiry of the appointment period.

(2) The composition of members shall ensure that the Council on Ethics possesses the required expertise to perform its functions as defined in these guidelines.

(3) Members of the Council on Ethics shall be appointed for a period of four years. Upon the initial appointment, the Ministry may adopt transitional provisions.

(4) The Ministry sets the remuneration of the members of the Council on Ethics and the Council on Ethics' budget.

(5) The Council on Ethics has its own secretariat, which administratively is under the Ministry. The Council on Ethics shall ensure that the secretariat has appropriate procedures and routines in place.

(6) The Council on Ethics shall prepare an annual operating plan, which shall be submitted to the Ministry. The operating plan shall describe the priorities set by the Council on Ethics for its work; cf. section 5.

7) The Council on Ethics shall submit an annual report on its activities to the Ministry. This report shall be submitted no later than three months after the end of each calendar year.

(8) The Council on Ethics shall evaluate its work regularly.

Section 5. The work of the Council on Ethics on recommendations concerning observation and exclusion

(1) The Council on Ethics shall continuously monitor the Fund's portfolio, cf. section 1(2), with the aim of identifying companies that contribute to or are responsible for production or conduct as mentioned in sections 2 and 3.

(2) The Council on Ethics may investigate matters on its own initiative or at the request of the Bank. The Council on Ethics shall develop and publish principles for the selection of companies for closer investigation. The Bank may adopt more detailed requirements relating to these principles.

(3) The Council on Ethics shall be free to gather the information it deems necessary, and shall ensure that each matter is thoroughly investigated before making a recommendation regarding observation, exclusion or revocation of such decisions.

(4) A company that is being considered for observation or exclusion shall be given an opportunity to present information and opinions to the Council on Ethics at an early stage of the process. In this context, the Council on Ethics shall clarify to the company what circumstances may form the basis for observation or exclusion. If the Council on Ethics decides to recommend observation or exclusion, its draft recommendation shall be presented to the company for comments; cf. section 7.

(5) The Council on Ethics shall regularly assess whether the basis for observation or exclusion still exists. In light of new information, the Council on Ethics may recommend that the Bank revoke an observation or exclusion decision.

(6) The Council on Ethics shall describe the grounds for its recommendations to the Bank; cf. sections 2 and 3. The Bank may adopt more detailed requirements relating to the form of such recommendations.

(7) The Council on Ethics shall publish its routines for the consideration of possible revocation of an observation or exclusion decision. Excluded companies shall be informed specifically of these routines.

Section 6. Norges Bank

(1) The Bank shall make decisions on observation and exclusion in accordance with the criteria in sections 2 and 3 and on the revocation of such decisions, after receiving recommendations from the Council on Ethics. The Bank may on its own initiative make decisions on observation and exclusion in accordance with section 2(2)-(4) and on the revocation of such decisions.

(2) In assessing whether a company is to be excluded under section 3, the Bank may consider factors such as the probability of future norm violations, the severity and extent of the violations

and the connection between the norm violation and the company in which the Fund is invested. The Bank may also consider the breadth of the company's operations and governance, including whether the company is doing what can reasonably be expected to reduce the risk of future norm violations within a reasonable time frame. Relevant factors in these assessments include the company's guidelines for, and work on, safeguarding good corporate governance, the environment and social conditions, and whether the company is making a positive contribution for those who are or have been affected by the company's conduct.

(3) Before making a decision on observation and exclusion in accordance with section 6(1), the Bank shall consider whether other measures, including the exercise of ownership rights, may be more suited to reduce the risk of continued norm violations, or whether such alternative measures may be more appropriate for other reasons. The Bank shall consider the full range of measures at its disposal and apply the measures in a coherent manner.

(4) Observation may be decided when there is doubt as to whether the conditions for exclusion are met or as to future developments, or where observation is deemed appropriate for other reasons.

(5) The Bank shall ensure that sufficient information is available before making a individual observation, exclusion or revocation decision.

(6) The Bank shall regularly assess whether the basis for observation or exclusion still exists.

Section 7. Exchange of information and coordination between the Bank and the Council on Ethics

(1) To help ensure the most coherent use of measures possible in the context of promoting responsible management, the Bank and the Council on Ethics shall meet regularly to exchange information and coordinate their work.

(2) Communication with companies shall be coordinated and aim to be perceived as consistent. The Bank shall exercise the Fund's ownership rights. The Bank shall seek to integrate the Council on Ethics' communication with companies into its general company follow-up. The Bank shall have access to the Council on Ethics' communication with companies, and may participate in meetings between the Council on Ethics and companies.

(3) The Council on Ethics may ask the Bank for information on matters concerning individual companies, including how specific companies are dealt with in the context of the exercise of ownership rights. The Bank may request the Council on Ethics to make its assessments of individual companies available.

(4) The Bank and the Council on Ethics shall establish detailed procedures for the exchange of information and coordination to clarify responsibilities and promote productive communication and integration of the work of the Bank and the Council on Ethics.

Section 8. Publication

(1) The Bank shall publish its decisions pursuant to these guidelines. Such public disclosure shall be in accordance with the management mandate for the Fund, section 6-2(4). When the Bank publishes its decisions, the Council on Ethics shall publish its recommendations. When the Bank on its own initiative makes decisions in accordance with section 6(1), the grounds for the decision shall be included in the publication.

(2) The Bank shall maintain a public list of companies excluded from the Fund or placed under observation pursuant to these guidelines.

Section 9. Meetings with the Ministry of Finance

(1) The Ministry, the Bank and the Council on Ethics shall meet at least once a year. The information exchanged at such meetings shall be part of the basis for the reporting on responsible management included in the annual report to the Storting (the Norwegian parliament) on the management of the Fund.

(2) The Ministry and the Council on Ethics shall meet at least once a year. The following matters shall be discussed at the meetings:

a) activities in the preceding year

b) other matters reported by the Ministry and the Council on Ethics for further consideration.

Section 10. Power of amendment

The Ministry may supplement or amend these guidelines.







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