

**To Norges Bank**

30.08.2024

**Recommendation to exclude Evraz PLC  
from investment by the Norwegian  
Government Pension Fund Global  
(GPF)**

## Summary

The Council on Ethics recommends that Evraz PLC (Evraz) be excluded from investment by the Norwegian Government Pension Fund Global (GPF) due to an unacceptable risk that the company is contributing to serious violations of fundamental ethical norms. The Council's recommendation rests on the company's contribution to maintaining Russia's unlawful war of aggression against Ukraine.

Evraz is a steel producer, among other things, and engages in mining operations, principally in Russia. Evraz is listed on the London Stock Exchange. At the close of 2023, the GPF owned 0.96 per cent of the company's shares, worth NOK 43,766,783.

The Council considers that there is an unacceptable risk that Evraz is contributing to particularly serious violations of fundamental ethical norms by supplying steel to the company UralVagonZavod, which produces combat vehicles for use in the war Russia is waging against Ukraine in violation of international law.

The Council's recommendation rests on information from a variety of media, official information from British authorities, a court ruling from the UK, as well as information from the company's website and financial reports. The Council has contacted Evraz to request further information, but the company has failed to respond.

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# 1 Introduction

The Council on Ethics for the Norwegian Government Pension Fund Global (GPFG) has assessed the Fund's investment in Evraz PLC<sup>1</sup> against the Guidelines for Observation and Exclusion of Companies from the GPFG (the ethical guidelines).<sup>2</sup> This case relates to serious violation of fundamental ethical norms, and rests on an assessment of whether Evraz is helping to maintain and enable Russia's illegal war of aggression against Ukraine. The Council believes there is an unacceptable risk that Evraz, among other things, supplies steel to the Russian arms industry.

Evraz is a UK-registered steel production and mining company. The bulk of its business activity takes place in Russia, where it produces steel, among other things. Evraz is listed on the London Stock Exchange. Trade in the company's shares has been suspended since March 2022.<sup>3</sup>

At the close of 2023, the GPFG owned 0.96 per cent of the company's shares, worth almost NOK 44 million.

## 1.1 Matters considered by the Council

Evraz has been accused of supplying vital input factors, primarily steel, to the Russian arms industry from its operations in Russia. The Council has assessed whether the company is thereby contributing to or is itself responsible for serious violations of fundamental ethical norms.

The starting point for the Council's assessment is that Russia's full-scale invasion of Ukraine, which commenced on 24 February 2022, and ongoing war of aggression against that country constitute a qualified violation of the prohibition on the use of force established in Article 2(4) of the Charter of the United Nations.

Companies that help to enable and maintain Russia's warfare, but are not encompassed by the government-bond exemption in section 4(d) of the ethical guidelines, or the war and conflict criterion in section 4(b), are assessed under the umbrella criterion in section 4(h), which reads: "*Companies may be excluded or*

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<sup>1</sup> Issuer ID: 28252126

<sup>2</sup> Guidelines for Observation and Exclusion from the Government Pension Fund Global, [https://www.regjeringen.no/contentassets/9d68c55c272c41e99f0bf45d24397d8c/2022.09.05\\_gpf\\_guidelines\\_observation\\_exclusion.pdf](https://www.regjeringen.no/contentassets/9d68c55c272c41e99f0bf45d24397d8c/2022.09.05_gpf_guidelines_observation_exclusion.pdf)

<sup>3</sup> [www.londonstockexchange.com/news-article/market-news/suspension-evraz-plc/15362787](http://www.londonstockexchange.com/news-article/market-news/suspension-evraz-plc/15362787)

*placed under observation if there is an unacceptable risk that the company contributes to or is responsible for [...] other particularly serious violations of fundamental ethical norms."*

The criterion encompasses *"matters which do not fall naturally within the scope of the other criteria, but where norm violations are just as serious."*<sup>4</sup>

The Council takes the position that a company may be deemed to be contributing to Russia's war in Ukraine if the absence of that contribution would make prosecuting the war more difficult. This means that the company's contribution must be of a certain significance and be sufficiently closely linked to the actual war effort.

The Council must assess the risk of ongoing or future norm violations. Here, the Council attaches weight to whether the company under assessment helps to shed light on the matter, and takes the view that the company's response to the Council's queries is a key element in the assessment of future risk. Any failure to contribute to the Council's inquiries on the part of its primary source could, in and of itself, result in the risk of unethical behaviour being deemed to be unacceptably high.<sup>5</sup>

## **1.2 Sources**

This recommendation rests on publicly available information. The sources are primarily international media, official information from the British authorities, a ruling by a British court, statements by the company published on its website and the company's most recently published annual report.

## **2 Background**

### **2.1 Evraz's business operations**

Evraz has long been one of the world's largest steel producers. The company's activities encompass the entire value chain from extraction and production to sales and logistics. The company is the world's largest producer of the metal vanadium and also engages in coal mining. The bulk of the company's operations take place in Russia.

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<sup>4</sup> Norwegian Official Report NOU 2020: 7, p. 199

<sup>5</sup> Norwegian Official Report NOU 2020: 7, p. 245

## 2.2 Sanctions

Evraz is controlled by five Russian businessmen who, together, own just over 66 per cent of the company's shares.<sup>6</sup> Shortly after Russia's full-scale invasion of Ukraine on 24 February 2022, several of these individuals were placed under sanctions by the British authorities. This resulted in all of the company's external board members immediately resigning their positions.<sup>7</sup>

On 5 May 2022, Evraz was placed on the UK's sanctions list.<sup>8</sup> The reasons given for this have varied over time, but, at the time of writing, are as follows:

*"Evraz plc is obtaining a benefit from or supporting the Government of Russia by: (1) carrying on business in sectors of strategic significance to the Russian Government, namely the extractive sector, the transport sector, and the construction sector; and (2) owning or controlling directly or indirectly the following subsidiaries – JSC Evraz NTMK, (...), JSC Evraz ZSMK (...) each of which: (a) carries out business in one or more sectors of strategic significance to the Government of Russia; and (b) carries out business of economic significance to the Government of Russia."*<sup>9</sup>

As a result of the imposition of sanctions, EY resigned as the company's auditor in the autumn of 2022. The company has been unable to obtain a new auditor and has therefore not published any annual report for 2022.<sup>10</sup>

The company is not subject to sanctions by any countries other than the UK.

In 2022, a former board member and shareholder, on whom sanctions were imposed, demanded that this be tested in a court of law.<sup>11</sup> The court ruled that the sanctions were lawful.

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<sup>6</sup> Evraz Plc 2021 Annual report & Accounts, p. 5:

[www.evraz.com/upload/iblock/5c5/EVRAZ\\_Annual\\_Report\\_2021.pdf](http://www.evraz.com/upload/iblock/5c5/EVRAZ_Annual_Report_2021.pdf)

<sup>7</sup> Financial Times, 11 March 2022, *Evrax directors quit in wake of UK sanctions*:

[www.ft.com/content/fcc0f2c7-e687-4d9d-986e-11a32bf481c1](http://www.ft.com/content/fcc0f2c7-e687-4d9d-986e-11a32bf481c1)

<sup>8</sup> UK Government press release, 5 May 2022: *Russia: UK sanctions major manufacturer of Russian steel*, [www.gov.uk/government/news/russia-uk-sanctions-major-manufacturer-of-russian-steel](http://www.gov.uk/government/news/russia-uk-sanctions-major-manufacturer-of-russian-steel)

<sup>9</sup> UK Sanctions List Publication as at 13 June 2024: [docs.fcdo.gov.uk/docs/UK-Sanctions-List.html](https://docs.fcdo.gov.uk/docs/UK-Sanctions-List.html)

<sup>10</sup> Bloomberg Tax, 9 November 2022: *EY resigns as Evraz Auditor following Russia Sanctions*, <https://news.bloombergtax.com/financial-accounting/ey-resigns-as-evraz-auditor-following-russia-sanctions>

<sup>11</sup> High Court of Justice King's Bench Division Administrative Court, Approved Judgment, 18 August 2023, [www.judiciary.uk/wp-content/uploads/2023/08/Shvidler-v-Foreign-Secretary.pdf](http://www.judiciary.uk/wp-content/uploads/2023/08/Shvidler-v-Foreign-Secretary.pdf)

Trading in the company's shares on the London Stock Exchange has been suspended since March 2022.<sup>12</sup>

### 2.3 Deliveries to the Russian armed forces

In 2012, Evraz signed a five-year contract to supply metal to the Russian company UralVagonZavod (UVZ).<sup>13</sup> UVZ is claimed to be the world's largest producer of combat vehicles. It produces tanks of the type T-72 and T-90, both of which are in active service in Ukraine. UVZ was placed on the British sanctions list immediately after the outbreak of war on 24 February 2022, on the grounds that it produces military materiel, including combat vehicles.<sup>14</sup> UVZ is also under sanctions by the EU, which emphasises that UVZ is the only producer of combat vehicles in Russia.<sup>15</sup>

It has been reported in the media that Evraz, via its subsidiaries Evraz NTMK and Evraz ZSMK, has for many years been furnishing steel, vanadium and the chemical toluene, which can be used in the production of ammunition, to state-controlled factories that supply the Russian armed forces. This includes UVZ.<sup>16</sup> The revelations were based on a review of publicly available tender documents. Access to these documents was removed through a change in Russian law in 2022.

On 27 January 2023, LiveEO, a website that analyses and uses satellite imagery in its reporting, published an article pointing out the geographic proximity between UVZ's factories and a major steelworks owned by Evraz through the wholly

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<sup>12</sup> Financial Times, 10 March 2022: *Evraz shares suspended after UK imposes sanctions on Abramovich*, [www.ft.com/content/a703b89c-1f09-49d9-9179-2dfd16f37354](https://www.ft.com/content/a703b89c-1f09-49d9-9179-2dfd16f37354)

<sup>13</sup> The Guardian, 5 May 2022: *UK imposes sanctions on Roman Abramovich-linked steel firm Evraz*, [www.theguardian.com/business/2022/may/05/uk-sanctions-steel-firm-evraz-russia-roman-abramovich](https://www.theguardian.com/business/2022/may/05/uk-sanctions-steel-firm-evraz-russia-roman-abramovich)

<sup>14</sup> UK Sanctions List Publication as at 13 June 2024: [docs.fcdo.gov.uk/docs/UK-Sanctions-List.html](https://docs.fcdo.gov.uk/docs/UK-Sanctions-List.html)

<sup>15</sup> Official Journal of the European Union, 15 March 2022: *Council implementing regulation (EU) 2022/24*, [eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A32022R0427](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A32022R0427)

<sup>16</sup> OCCRP (Organized Crime and Corruption Reporting Project), 20 July 2022: *Despite Denials, Abramovich Companies Have Supplied Materials for Russian Military*, [www.occrp.org/en/blog/16587-despite-denials-abramovich-companies-have-supplied-materials-for-russian-military](https://www.occrp.org/en/blog/16587-despite-denials-abramovich-companies-have-supplied-materials-for-russian-military) (last visited 24 June 2024)

owned subsidiary Evraz NTMK.<sup>17</sup> In 2021, the steelworks was reported to have an extremely large capacity for steel production.<sup>18</sup>

UVZ also produces railway carriages and machinery for civilian use at that location. However, according to the article, the steelworks that Evraz now owns has a long tradition of supplying steel for the construction of combat vehicles. Furthermore, it pointed out that the steel is being delivered to UVZ factories that produce both railway carriages/machinery and combat vehicles in the same premises. The extent to which the steel delivered is used for civilian or military purposes is therefore difficult to ascertain. Certain sources claim, moreover, that since the summer of 2023, UVZ has completely phased out the manufacture of civilian products and is now therefore exclusively producing combat vehicles.<sup>19, 20</sup>

It has been reported that the Russian economy is increasingly mobilising for war production,<sup>21</sup> and that Russian legislation compels companies to supply the armed forces with more and more goods and services.<sup>22</sup>

Evraz has published a press release in which it denied every allegation that it is supplying the Russian armed forces, and claims that it only provides goods for civilian purposes.<sup>23</sup>

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<sup>17</sup> Live EO, 27 January 2023: *Here, Abramovich's English Steel Company Supplies Putin's Tank Builder*, [www.live-eo.com/article/abramovich-english-steel-company](http://www.live-eo.com/article/abramovich-english-steel-company) (last visited 24 June 2024)

<sup>18</sup> Fitch Ratings, 7 June 2021: *Fitch Revises EVRAZ's Outlook to Positive; Affirms at BB+*, [www.fitchratings.com/research/corporate-finance/fitch-revises-evraz-outlook-to-positive-affirms-at-bb-07-06-2021](http://www.fitchratings.com/research/corporate-finance/fitch-revises-evraz-outlook-to-positive-affirms-at-bb-07-06-2021) (last visited 24 June 2024)

<sup>19</sup> Bulgarianmilitary.com, 29 June 2023: *Russia's UVZ halts all secondary output, begins tank mass production*, [bulgarianmilitary.com/2023/06/29/russias-uvz-halts-all-secondary-output-begins-tank-mass-production/](http://bulgarianmilitary.com/2023/06/29/russias-uvz-halts-all-secondary-output-begins-tank-mass-production/) (last visited 24 June 2024)

<sup>20</sup> Hindustan Times, 30 June 2023: *Putin's New Lethal Plan Amid Ukraine War; Russia To Unleash Tank Fury On Zelensky's Men*, [www.hindustantimes.com/videos/world-news/putins-new-lethal-plan-amid-ukraine-war-russia-to-unleash-tank-fury-on-zelenskys-men-details-101688098469567.html](http://www.hindustantimes.com/videos/world-news/putins-new-lethal-plan-amid-ukraine-war-russia-to-unleash-tank-fury-on-zelenskys-men-details-101688098469567.html)

<sup>21</sup> Reuters, 27 November 2023: *Putin approves big military spending hikes for Russia's budget*, [www.reuters.com/world/europe/putin-approves-big-military-spending-hikes-russias-budget-2023-11-27/](http://www.reuters.com/world/europe/putin-approves-big-military-spending-hikes-russias-budget-2023-11-27/)

<sup>22</sup> Reuters, 5 July 2022: *Russian parliament passes first vote on war economy measures*, [www.reuters.com/world/europe/duma-gives-first-approval-laws-moving-russia-towards-war-economy-2022-07-05/](http://www.reuters.com/world/europe/duma-gives-first-approval-laws-moving-russia-towards-war-economy-2022-07-05/)

<sup>23</sup> Evraz, 20 July 2022: *Response to press speculations*, [www.evraz.com/en/news-and-media/press-releases-and-news/response-to-press-speculations/](http://www.evraz.com/en/news-and-media/press-releases-and-news/response-to-press-speculations/) (last visited 24 June 2024)



### **3 Information from the company**

The Council has written to Evraz, asking for information about the company's deliveries of steel and input factors suitable for the production of ammunition.<sup>24</sup> The company has not replied to the Council's queries.

A draft version of this recommendation has been presented to Evraz, which has been invited to submit any remarks it may have.<sup>25</sup> No such reply has been forthcoming.

### **4 The Council's assessment**

On the basis of the information available, the Council has assessed whether there is an unacceptable risk that Evraz is contributing to serious violations of fundamental ethical norms by assisting Russia's war of aggression against Ukraine.

The Council considers it probable that Evraz is supplying materials of major importance for the continuation of Russia's military operations in Ukraine. Steel is a critical input factor for the production of combat vehicles and other military materiel.

The Council has accorded significant weight to the fact that UVZ is described as the largest – and in some contexts – the only producer of combat vehicles in Russia. It seems incontrovertible that Evraz has previously supplied steel to UVZ. Evraz has not replied to the Council's query as to whether it is still supplying steel to UVZ. Given that companies in Russia are increasingly being compelled to supply goods and services to the armed forces, there is an imminent risk that steel and chemicals produced by Evraz will be used in the production of military materiel. The factory controlled by UVZ to which the steel has been delivered is reported to have ceased producing for civilian purposes and is therefore now only producing war materiel, including combat vehicles.

The Council presumes that Evraz's deliveries would be difficult to replace if they should cease. This is based firstly on the Evraz works' geographical proximity to UVZ's factory and the logistics arrangements that have been put in place between the two plants, which bind the two closely together. Secondly, there is

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<sup>24</sup> Letter from the Council on Ethics to Evraz PLC, dated 23 October 2023 – sent via the postal service, and by email to [ir@evraz.com](mailto:ir@evraz.com).

<sup>25</sup> Letter from the Council on Ethics to Evraz PLC, dated 25 March 2024 – sent via the postal service, and by email to [ir@evraz.com](mailto:ir@evraz.com).

reason to assume that the product volumes involved are so large that they would be difficult to replace.

The Council notes that Evraz has publicly denied supplying steel or other products for military use. However, the company has failed to answer the Council's repeated queries relating to specific allegations of this. Nor has the company disclosed how it actually makes sure that its products are not used for military purposes. Given the lack of verifiable information from the company, the Council attaches weight to the fact that other sources make a reliable case for steel from Evraz being used for military production. As long as steel production and Russia's war against Ukraine remain ongoing, there is reason to believe that this will continue.

Based on an overall assessment, the Council considers that the future risk of the company contributing to particularly serious violations of ethical norms is unacceptably high, and therefore recommends that Evraz be excluded from investment by the Norwegian Government Pension Fund Global (GPF).

## 5 Recommendation

The Council recommends that Evraz PLC be excluded from the GPF due to an unacceptable risk that the company is contributing to serious violations of fundamental ethical norms.

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Svein Richard  
Brandtzæg  
Chair

Siv Helen Rygh  
Torstensen

Cecilie  
Hellestveit

Vigdis  
Vandvik

Egil Matsen