

Responsible investments

SRI Report December 2011



We want dialogue!

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About KLP

➔ KLP as a financial services company

Kommunal Landspensjonskasse (KLP) is one of Norway's largest life insurance companies. The company provides pension, financing and insurance services to the local government sector and state health enterprises, as well as other businesses both in public and private sectors.

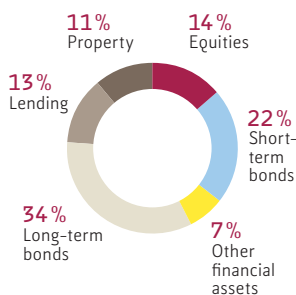
KLP's main product is occupational pensions and pension fund services. More than one in eight Norwegians have their pensions with KLP. The company also provides insurance services both to individuals and the public sector. KLP Eiendom is one of the largest property managers in Norway. KLP provides a wide range of lending services and has established its own bank in 2009, KLP Banken.

The mutual ownership model of the parent company, in which a customer is also an owner, means that KLP must always supply products and solutions in consultation with its customers. KLP was founded in 1949 and has a total of 760 employees.

➔ Asset classes

The KLP Group manages 285 Billion Norwegian kroner, divided between several asset classes (September 30, 2011).

KLP Kapitalforvaltning and KLP Fondsforvaltning are responsible for all of KLP's internal asset management, while KLP's Finance Department controls asset allocation in the common portfolio.



Investments in the main portfolio (the common portfolio) by asset class (September 30, 2011).

➔ Assets under management

KLP Kapitalforvaltning and KLP Fondsforvaltning, both subsidiaries of KLP, manage around 193 Billion Norwegian kroner in financial instruments (September 30, 2011).

They manage assets for KLP and its subsidiaries, as well as other institutional and private customers. In total, KLP Fondsforvaltning has 12.000 customers in its funds. KLP Fondsforvaltning is Norway's third largest fund management company.

➔ Both active and passive management

We provide both active and passive equity and fixed income funds, as well as hedge funds. We also provide combination of funds. All funds comply with KLP's Policy for Responsible Investments.

KLP Fondsforvaltning is Norway's leading index fund provider. We offer global and regional index funds covering all developed and emerging markets within the MSCI index universe.

Our index management takes advantage of a secure and automatic system. Our effective management and economies of scale, allow us to provide low-cost asset management. **Annual management fees are as low as 0.10 percent.**

➔ The KLP mutual funds

Fixed income funds:

KLP Aktiv Rente
KLP Rentefond II
KLP Pensjon I-II
KLP Obligasjon I
KLP Obligasjon Global I-II
KLP Statsobligasjon

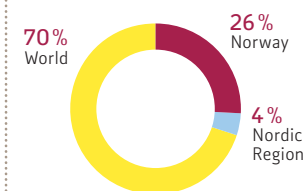
Equity funds:

KLP AksjeNorge
KLP AksjeNorge Indeks I-II
KLP AksjeNorden
KLP AksjeEuropa Indeks I-II
KLP AksjeUSA Indeks I-II
KLP AksjeAsia Indeks I-II
KLP AksjeGlobal Indeks I-IV
KLP AksjeFremvoksende
Markeder Indeks I-II
KLP AksjeVerden Indeks

Balanced fund:

KLP Kombinasjon

Please read more about our funds on www.klp.no.



Regional distribution of KLP's equity investments by market value (September 30, 2011).

➔ Other management

Private equity

KLP invests in private equity (including venture capital), mainly through private equity funds. These investments are long-term commitments. KLP's private equity program is still in an early stage of development. As one of the larger Norwegian investors, KLP is often represented in these funds' investor committees. These committees function as a link between the funds and its investors.

External management

In addition to private equity, KLP has also invested in other external equity and fixed income funds, which are mainly used in areas where KLP does not have internal expertise.

Microfinance

KLP has made a commitment to invest 75 Million Norwegian kroner in the Norwegian Microfinance Initiative (NMI) over the coming years.

All of KLP's investments are subject to KLP's Policy for Responsible Investments.

Dear reader,

A historic year is drawing to an end. A year which commenced with an uneasy Arab spring, a difficult European autumn, and is ending with North America having government debts greater than possible to imagine.

The economies of many countries have run off the rails and over the year we have seen a number of heads of state bow to the pressure of the people and give up power. That is good. They have not succeeded in leading their countries towards sustainable value creation. Now courage and vigour is needed to get these countries onto the right track.

At the same time, the autumn has also brought dramatic changes in a positive direction. The Norwegian Minister of the Environment and International Development, Erik Solheim, was invited to a seminar at KLP and had just returned from a visit to Myanmar. He was fascinated by this country which is now moving from a strict military dictatorship to a more open economy.

According to Aftenposten, Thein Sein – the ex-general who is now president of Burma – is saying that “South Korea took 15 years to become a democracy. We shall manage it in one.” That is a fantastic ambition. It is, therefore, important that the world community now recognises the very positive signals coming from that country. It is hoped that in the near future we will be able to lift the sanctions. The country offers exciting opportunities. Investments from companies and engagement by organisations can contribute to further development of the country.

In November, we hosted a CDP seminar on corporate climate reporting. Even though Norwegian companies remain at the bottom

in climate reporting in the Nordic region, we are seeing an improvement. Seven new companies reported their emissions for the first time this year and twelve companies improved their reporting performance. That is a pleasing development.

When this report is published, the international climate negotiations will be in progress in Durban. We are not particularly optimistic, but hope, as we also hoped before Copenhagen and Cancun, that the negotiations will produce results. We must make the capital markets capable of integrating climate costs on a solid basis. The negotiations are important to investors and companies, in order to establish predictable regulatory frameworks. The International Energy Agency, IEA, states in its annual report, World Energy Outlook, that it will be difficult to achieve the 2° target, that the world is on its way to an increase of 3.5° and that with current policies an increase of 6° appears likely. According to the experts a temperature increase of 6° would be catastrophic. An increase of 3.5° will be dramatic. What the world needs now are politicians with courage and vigour.

Happy reading!



Jeanett Bergan
Head of Responsible Investments

For the days to come.

How to be a responsible investor

Our first and foremost responsibility is to meet our financial obligations. KLP manages 285 Billion Norwegian kroner and more than a half of a million Norwegians have their pensions with KLP. It is our responsibility to enhance long-term value. However, we are not indifferent as to how we achieve this goal.

There are two rationales for KLP having a strategy for responsible investments. First, we do not want to contribute to violations of international norms. We want companies to comply with the minimum standards that the international community has agreed upon.

Second, we assert that sustainable business practices will reap long-term rewards. Pension fund providers, such as KLP, are long-term investors. We gain little from companies' short-term returns, if they damage long-term performance. To operate responsibly and sustainably is also an effective risk management strategy.

Conduct based and product based criteria

Our engagement and exclusions address a sustainable business conduct in line with international norms and conventions in the following areas:

- Human rights
- Labour rights
- Environmental degradation
- Corruption
- Business ethics
- The rights of individuals in situations of war or conflict
- Other fundamental ethical norms

KLP engages in dialogue with companies in breach of these conduct based criteria.

KLP also have product based exclusion criteria. KLP do not invest in companies producing:

- Weapons violating humanitarian principles (e.g., nuclear weapons, landmines and cluster bombs)
- Tobacco

We use three tools for influencing companies and society towards sustainable development. These are active ownership and engagement, exclusion, and sustainable investments.

Active ownership and engagement

We are working with a number of initiatives in which KLP engages with companies. The purpose is to promote a responsible business conduct that is sustainable in the long-term.

- > Sustainable Value Creation
- > Controversial Countries Engagement
- > Carbon Disclosure Project (page 12–13)

Also read about:

- > Dialogue, observation and exclusion (page 18)

A direct way for a shareholder to influence

KLP's responsible investment strategy

- ➔ Active ownership and engagement
- ➔ Exclusions
- ➔ Sustainable investments

a company is voting at annual general meetings.

- > KLP's and the KLP mutual funds' voting activities (page 15–17)
- > Owners disagree with boards more (page 10–11)

To sell the stocks – the last resort

KLP will not compromise ethics for profits. In 2002, KLP was the first Norwegian life insurance company to establish a comprehensive ethical investment policy which encompasses its entire financial investment universe.

Divestment will be a last resort when violations are severe or systematic, and companies seem unwilling to change or improve their behaviour.

- > Reasons for exclusion (page 25)

Sustainable investments

Sustainable investment means the results investments achieve based on economic, social and environmental considerations. All three must be assessed as satisfactory within ordinary investment criteria before an investment is undertaken.

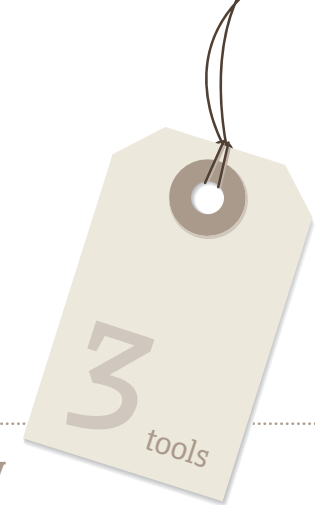
KLP welcomes additional sustainable projects into its portfolio. Investments should primarily be undertaken in collaboration with Norwegian operators and in countries of particular interest to Norwegian business. The focus is investments in good management of natural resources in the water or forestry and agriculture sectors. Existing initiatives such as the Norwegian Microfinance Initiative (NMI) are being included in the portfolio and additional projects are under consideration

- > KLP is a partner in the Norwegian Microfinance Initiative (NMI)

International norms

Our strategy is based on internationally recognized principles. KLP is a member of the UN Global Compact and our exclusions will primarily be due to complicity with UN conventions or the OECD Guidelines for Multinational Enterprises.

KLP is also a signatory of the UN Principles for Responsible Investments (UNPRI) and has made the commitment to incorporate environmental, social and governance issues into our investment decision-making processes and ownership practices. Our implementation of the PRI is rated every year.





Owners disagree with boards more

More resolutions were voted down by general meetings on the Oslo Børs. Additionally, more items were approved against major opposition.

During this year's annual general meetings season, 14 companies found that in a total of 33 items more than 20 per cent of the shareholders voted against the board's proposal. Remuneration to management, equity-based bonus or options programmes as well as capital increase are the recurring subjects in which shareholders most disagree with the company's board of directors. Election of directors is also an area where there has been disagreement this year. There were more companies than previously where the board found its proposals voted down. The trend towards increased opposition over the last three years is apparent in the table below.

More shareholder proposals

In previous years few proposed resolutions have been put forward by shareholders in companies on the Oslo Børs. This year we can count as many as 13 items proposed by different types of shareholders: organisations, private individuals and institutional investors. Five of these proposals also received sufficient support to be approved (at DNO International, Saga Tankers and Morpol).

Fewer large capital increases

We are pleased to see that there have been

significantly fewer major capital increases for general purposes. Last year we voted against 19 such mandates, but only half that number this year. KLP's and the KLP mutual funds' upper limit for mandates without specific purpose is ten per cent of the share capital.

More shareholders are participating

A slightly larger proportion of owners on the Oslo Børs have used their vote at company general meetings than has previously been the case. Average participation was 54 per cent (51 and 52 per cent in 2009 and 2010).

The largest proportion of owner engagement has been at Hafslund, EDB ErgoGroup, Bonheur, Camillo Eitzen and Fairstar Heavy Transport, which all had over 80 per cent participation at their general meetings. At the bottom we find Questerre Energy, Kongsberg Automotive, Rocksource and Sevan Marine, which had 17 per cent or fewer shareholders voting.

KLP has examined the results from almost 130 general meetings and over 1200 general meeting items in companies noted on the Oslo Børs.

	2009	2010	2011
Number of companies experiencing major opposition (>20 %) from shareholders	7	16	14
Number of items with major opposition (>20 %) from shareholders	16	30	33
Number of items not approved by the general meeting	0	2	8

AGENDA ITEMS VOTED DOWN:

Norwegian Energy Company	Authorization to increase the share capital relating to employee incentive schemes.
Norwegian Air Shuttle	Authorization to increase the company's share capital.
Northland Resources	Approval of a revised stock option plan.
Eltek	Authorization to increase the share capital.
Saga Tankers	Authorization to increase the Company's share capital.
Saga Tankers	Authorization to increase the Company's share capital.
DNO International	Authorization to increase the Company's share capital.
DNO International	Authorization for issuance of convertible bond loan.

AGENDA ITEMS WITH MAJOR OPPOSITION:

Company	Opposition	Agenda item
Norwegian Energy Company	47 %	Approval of maximum number of options.
Fairstar Heavy Transport	45 %	Election of supervisory board for a period of four years.
Fairstar Heavy Transport	42 %	Grant discharge to the management board.
Fairstar Heavy Transport	42 %	Grant discharge to the supervisory board.
Fairstar Heavy Transport	41 %	Reappoint member and chairman of the supervisory board for a period of four years.
Fairstar Heavy Transport	41 %	Reappoint member of the supervisory board for a period of four years.
Bridge Energy	40 %	Remuneration principles for executive management.
Fairstar Heavy Transport	38 %	Authorization to acquire up to a maximum of 10 % of the issued and outstanding share capital.
Fairstar Heavy Transport	37 %	Approve the annual financial statements and allocation of profit to the retained earnings account.
Fairstar Heavy Transport	37 %	Approve the expansion of the existing share option scheme for eligible employees.
Fairstar Heavy Transport	37 %	Authorize the joint jeeting of the management board and the supervisory board to issue new share capital and/or grant rights to purchase new shares in the capital of the company.
Sevan Marine	36 %	Notice period for extraordinary general meetings.
Sevan Marine	33 %	Authorizations to increase the share capital in connection with employee stock option program and scope of stock option allocation.
Sevan Marine	33 %	Election of directors to the board of directors.
Sevan Marine	31 %	Statement regarding establishment of salary and other benefits for senior management.
Norwegian Property	29 %	Authorization to increase the share capital.
Fornebu Utvikling	27 %	Authorization to increase the share capital in connection with share capital increases with contributions in cash.
Fornebu Utvikling	27 %	Authorization to increase the share capital – issue new shares as settlement in property transactions.
Kongsberg Automotive Hold.	27 %	Share option program.
Opera Software	26 %	Options for board members and the chairman.
Electromagnetic Geoservices	26 %	General authorization to increase the share capital.
Electromagnetic Geoservices	26 %	Authorization for exercise of options.
Electromagnetic Geoservices	26 %	Board compensation.
Sevan Marine	25 %	Authorization to increase the share capital to part finance capital requirements of the company.
Norwegian Property	25 %	Declaration of remuneration policy for the executive management.

KLP's and the KLP mutual funds' voting decisions are published at www.klp.no > English > Corporate Responsibility > Responsible owner.



Climate reporting is improving

The fact that Norwegian companies are poorer at reporting their greenhouse gas emissions than companies in our neighbouring countries is nothing new and is confirmed by this year's results. What is pleasing is that the results show a number of encouraging signs.

The encouraging signs in this year's Nordic report, seen from the Norwegian perspective, include the following:

- Twelve Norwegian companies received better scores this year than last year: Atea, Cermaq, DnB NOR, DNO International, Frontline, Norske Skog, Orkla, Royal Caribbean Cruises, Salmar, Schibsted, Statoil, and Storebrand. Several of the companies are making great progress and this is a big plus since the value of the information increases with the quality of reporting.
- Companies such as Solstad Offshore, Cermaq, Telenor, Royal Caribbean Cruises, and Statoil have reported exciting and innovative measures to reduce their impact on the climate.
- Seven companies that have not previously reported their emissions through CDP are reporting this year. These are DOF, Ekornes, Eltek, Kongsberg, Marine Harvest, Odfjell, and Solstad Offshore.
- As many as 19 out of 71 Norwegian companies receiving this year's request for information from the investors received it for the first time. In view of this the Norwegian results for 2011 are good.

- Norske Skog had the best result of the Norwegian companies with a fifth place in the Nordic region. Atea, Storebrand and Ekornes also gained scores amongst the 20 best Nordic companies in the Carbon Disclosure Leadership Index.
- Ekornes deserves particular credit for going straight into the Carbon Disclosure Leadership Index the first year the company has reported.

The invitation to report on corporate strategy for greenhouse gas emissions is the largest of its kind. The world's 551 largest investors with total assets of USD 71 trillion invited 6000 companies to report. It is the fifth year the invitation to report on climate matters has been sent to Norwegian and Nordic companies. KLP is a Norwegian partner in the project.

Of the 71 Norwegian companies, 41 per cent responded (29 companies). The total response percentage in the Nordic selection was 54 per cent. The response percentages in Denmark, Finland and Sweden were 53, 67 and 63 per cent respectively.

CERMAQ:

Cermaq has developed an ecological footprint model for its fish feed production business. This shows that only around 5 % of emissions stem from the company's own operations; the rest occur in the supply chain. As a result, Cermaq has been able to reduce its carbon footprint by replacing certain marine ingredients with terrestrial alternatives.

DNB:

A new headquarters is under construction in Oslo, which will gather 4,000 employees in one place. By using new building techniques and facilitating new ways of organising work the new headquarters is estimated to reduce energy consumption by 70 % and CO₂ emissions by 50 % per employee in the Oslo area.

ROYAL CARIBBEAN CRUISES:

In 2010 numerous initiatives were implemented to reduce our overall energy intensity, ranging from introduction of new, more efficient vessels, optimising deployment of existing vessels, and installing new systems to help minimise hull resistance. The result of

these initiatives was a saving of approximately 60,000 metric tons of fuel.

SOLSTAD OFFSHORE:

Solstad Offshore has introduced the concept of climate-neutral operations in its shipping services for the energy sector. The company gives clients an overview of the ship's CO₂ accounts, takes a range of steps to reduce fuel consumption and then compensates for remaining emissions by supporting projects that qualify for UN Certified Emissions Reductions. This together with other efficiency measures contributed to a saving of some 18,000 cubic metres of fuel, or 11 % of the company's total fuel consumption, in 2010.

STATOIL:

Looking into the future, we believe that CO₂ will gradually become costly elsewhere in the world as well. That is why we calculate in a CO₂ price when we decide to go forward with new investments regardless of the current carbon regime at the location of the project. We believe this makes our portfolio more robust when climate policies tighten further down the road.

LINK BETWEEN CLIMATE AND FINANCIAL RESULTS

Can it really be true that those companies that are best at measuring, handling and reporting their greenhouse gas emissions also produce the best financial results? According to a recent analysis from the Carbon Disclosure Project (CDP) the answer is yes. In the Nordic selection the 26 companies in the Carbon Disclosure Leadership Index produced an 84 per cent higher return than the other 260 companies. The analysis relates to a six-year period from January 2005 to May 2011.

The global results are just as clear. Here the 52 companies with the best climate reporting produced a near average additional return of

almost 40 per cent compared to the 500 largest companies. The time frame is the same as in the Nordic analysis. If we look at the last three years' returns, the return is as much as 60 per cent higher for the most climate conscious companies than for the others in the global selection.

The analyses say nothing about causality and there is a wide range of contributory factors – both with regard to the returns and to the degree of sophistication in the companies' climate reporting. Nevertheless the findings are very interesting and ought to be analysed further.

Responsible investments from a low-cost leader.

We exercise our voting rights



The general meeting is an important arena for dialogue between corporate management and shareholders. As owner in many listed companies, KLP and KLP's mutual funds use their voting rights actively – both in Norway and abroad.

KLP and KLP's mutual funds have established their own guidelines for voting at general meetings. These guidelines are published on the homepage, and are based on the *Norwegian Code of Practice for Corporate Governance*.

The voting decisions in Norwegian companies are discussed internally, meeting for meeting. For our shares abroad, we vote by proxy through our service provider Institutional Shareholder Services (ISS). The international voting is based upon international best practice for corporate governance. This way, we ensure that we vote consistently and in consensus with other international investors.

Our voting activity shall protect our interests as owners – not only with regards to traditional corporate governance and financial issues, but also with regards to companies' environmental and social impacts. We vote in favour of resolutions that are considered to enhance a long-term, sustainable value creation for shareholders and other stakeholders.

As of today, KLP votes in the following 21 markets: Australia, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Switzerland, Sweden, the UK and the USA.

THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

Adherence to the Code of Practice is based on the "comply or explain" principle whereby companies must either explain how they comply with each of the recommendations or explain why they have chosen an alternative approach. The Code of Practice in detail is available on www.nues.no. The code addresses the following issues:

1. Implementation of the Code of Practice for Corporate Governance
2. Business
3. Equity and dividends
4. Equal treatment of shareholders and transactions with close associates
5. Freely negotiable shares
6. General meetings
7. Nomination committee
8. Corporate assembly and board of directors: composition and independence
9. The work of the board of directors
10. Risk management and internal control
11. Remuneration of the board of directors
12. Remuneration of the executive management
13. Information and communications
14. Take-overs
15. Auditor

Voting internationally

	As of September 30, 2011	2010	2009	2008
Number of general meetings	1 448	1 533	1 803	1 792
Number of items	18 921	17 164	19 851	19 748
Percent of items KLP and KLP's mutual funds voted against management	9 %	9 %	10 %	9 %

Management resolutions

Themes	No. of items as of September 30, 2011	Against the board or abstain	No. of items 2010	Against the board or abstain
Routine/business	3 003	4 %	2 802	4 %
Directors related	11 513	7 %	10 826	8 %
Capitalization	1 230	15 %	1 186	14 %
Non-salary compensation	2 140	13 %	1 154	21 %
Anti-takeover related	246	22 %	235	20 %
Mergers and re-organizations	219	5 %	276	5 %
Total	18 351	7 %	16 504	9 %

Shareholder resolutions

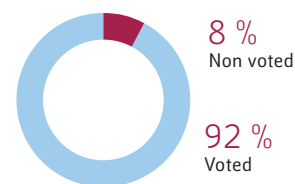
Themes	No. of items as of September 30, 2011	Against the board or abstain	No. of items 2010	Against the board or abstain
Directors related	237	58 %	228	58 %
Compensation	64	84 %	137	85 %
Routine/business	57	46 %	87	60 %
Corporate governance	42	64 %	46	70 %
Health and environment	79	71 %	81	77 %
General economic issues	2	0 %	1	100 %
Human rights	11	91 %	16	100 %
Anti-social proposals	6	0 %	10	30 %
Other	72	81 %	54	89 %
Total	570	65 %	660	70 %

Voting in Norway

	As of May 30, 2011	2010	2009	2008
Number of general meetings	110	127	123	29
Number of items	1 232	1 027	1 004	274
Percent of items KLP and KLP's mutual funds voted against management	12 %	10 %	13 %	1 %
Percent of items KLP and KLP's mutual funds abstained	1 %	0,5 %	2 %	- %

Resolutions

Themes	No. of items as of September 30, 2011	Against the board or abstain	No. of items 2010	Against the board or abstain
Routine/business	535	1 %	544	1 %
Director related	383	11 %	216	8 %
Capitalization	159	18 %	137	22 %
Non-salary compensation	131	54 %	104	51 %
Anti-takeover related	9	33 %	-	-
Mergers and reorganizations	8	0 %	19	22 %
Shareholder resolution	7	86 %	7	29 %
Total	1 232	13 %	1 027	11 %



KLP and KLP's mutual funds have voted at approximately 92 percent of the Norwegian general meetings they have had voting rights at January 1 - September 30, 2011.

➔ Check which general meetings KLP and the KLP mutual funds have voted at on our web-site www.klp.no. Here you can also read our argument for voting against a resolution.

Dialogue, observation and exclusion

KLP engages in dialogue both with excluded companies and companies that are under observation. The goal in both cases is improvement in policies and practices.

KLP's experience is that the synergy between dialogue and exclusion is an effective way of influencing companies. Exclusion will always be a last resort, but adds credibility to our engagement activities. The dialogue will continue also after we have divested from a company, with the goal to re-invest in the company in the future.

KLP also has companies under observation. We hope to influence these companies in order to avoid exclusions and to prevent similar situations in the future.

In all engagement processes, with excluded companies and with companies under observation, we have four criteria for improvement (see page 20).

Sources and analyses

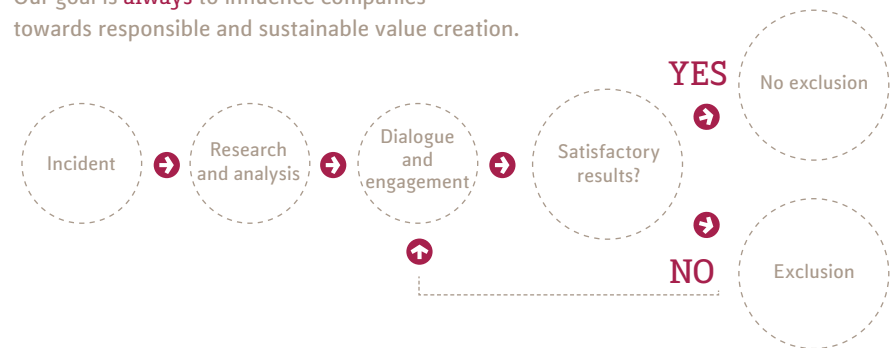
The almost 2 000 companies in KLP's investment universe are continuously monitored. KLP primarily utilizes the GES Investment Services' analysis as the foundation for our engagement and exclusions. In addition, we also follow decisions of the Norwegian Government Pension Fund – Global (NGPF).

GES screens 9 000 news sources. If a company is associated with unacceptable business conduct, the incident is investigated and the company is contacted. If the company does not show sufficient willingness to improve their practices, KLP will divest. All accusations require an official source, for instance the UN or a government, or must be confirmed by the company involved.

Company dialogue 1.1. – 15.11.2011

COMPANY	STATUS	TOPIC
Adecco	Dialogue	Labour rights
Alstom	Excluded	Human rights
Anadarko	Observation	Environment and HSE
BP	Observation	Environment and HSE
DNO International	Observation until May 2011	Business ethics
Eutelsat	Observation	Human rights
Statoil	Dialogue	Environment and HSE
Toyota	Excluded	Labour rights
Vedanta	Excluded	Environment
Veidekke	Dialogue	Business ethics
Yahoo	Excluded	Human rights

Our goal is **always** to influence companies towards responsible and sustainable value creation.



Observation

Companies under observation are companies that KLP seeks to influence through dialogue. Divestment can be a last resort if we are not confident in the progress.

British Petroleum and Anadarko Petroleum

The well blow-out at the BP operated oil prospect in the Gulf of Mexico resulted in the loss of eleven lives and the discharge of large quantities of oil into the sea. The spill continued for 87 days before the flow was stopped. BP and Anadarko Petroleum are joint venture partners. There are several ongoing US Federal investigations: KLP follows the developments and the companies' measures to reduce the risk for similar accidents in the future.

Eutelsat Communications

In June 2008 Eutelsat discontinued the broadcast of NTDTV, a regime independent Chinese TV channel to China. Critics claim that there is evidence that the real reason is to gratify the Chinese regime in order to enter the Chinese market. The European Parliament has urged the company to resume the transmission.

Exxon Mobil

The company has been under observation since May 2009. KLP has established a dialogue and met with the company in 2009. KLP will continue the dialogue. The reason for observation is the Western Grey whale, listed as a critically endangered species, which has its feeding ground outside Sakhalin Island where Exxon is operating oil and gas projects.

Songa Offshore

Songa Offshore established a new incentive program in 2009. The program is in KLP's opinion in breach of the AGM's decision. In addition, it is not in line with the Norwegian Code of Practice for Corporate Governance and KLP's and the KLP Mutual Funds' own voting policy. KLP have met with the company and is following up on the issue in order to avoid similar situations in the future. The company has acted responsive and KLP will observe the company until a new incentive program is in place.

- 1 The violation has ceased.
- 2 The company has adopted a responsible course of action.
- 3 The company has taken a proactive and precautionary approach to improve routines and prevent future violations.
- 4 The company's action points (point 1-3) are verifiable.



China Mengniu Dairy back after milk scandal

In 2008, Chinese officials announced that infant milk powder produced in the country had been contaminated with the non-alimentary chemical melamine. At the heart of the scandal were some of the largest dairy companies in China, one of them being China Mengniu Dairy.

The contamination led to the death of six infants and approximately 294,000 cases of illness with symptoms such as kidney stones and kidney failure. The contamination occurred at milk-collection stations. The milk had been watered down to increase the quantity and in order to seemingly increase the protein level, melamin had been added.

In order to reinstate China Mengniu into our portfolios, the following four criteria have had to be fulfilled:

1. **The violation has ceased:** In 2009, the company began considerable work to remedy the situation. The company has implemented a monitoring system for testing melamine and other potential hazardous substances to secure product quality.
2. **The company has adopted a responsible course of action:** The company has demonstrated that it is reviewing its monitoring system for product control and also that the victims have received compensation.
3. **The company has taken a proactive and precautionary approach to improve routines and prevent future violations:** China Mengniu Dairy has implemented a policy which requires testing of products and screening of suppliers to secure product quality.
4. **The company's action is verified:** GES Investment Services has reviewed the quality management system and has verified that China Mengniu Dairy is well advanced in implementing their quality policy.

Excluded companies

Human rights

■ AES	USA	Power Producers and Energy Traders
■ AFI Group	Israel	Real Estate Operating Companies
■ Alstom	France	Electrical Equipment
■ Danya Cebus	Israel	Construction & Engineering
■ Dongfeng Motor Group	Hongkong	Automobile Manufacturer
■ Elbit Systems	Israel	Aerospace and Defence
■ FMC Corp	USA	Diversified Chemicals
■ Incitec Pivot	Australia	Fertilizers and Agricultural Chemicals
■ L-3 Communications	USA	Aerospace and Defence
■ Potash Corp Saskatchewan	Canada	Fertilizers and Agricultural Chemicals
■ Sterlite Industries*	India	Metals and Mining
■ Vedanta Resources*	UK	Metals and Mining
■ Wesfarmers	Australia	Hypermarkets and Super Centers
■ Yahoo!	USA	Internet (Software and Services)

Labour rights

■ Bridgestone	Japan	Tires and Rubber
■ Toyota Motor	Japan	Automobile Manufacturer
■ Wal-Mart Stores	USA	Hypermarkets and Super Centers

Environment

■ Barrick Gold	Canada	Metals and Mining
■ Chevron	USA	Oil and Gas
■ Duke Energy	USA	Electric Utilities
■ Freeport McMoRan	USA	Materials
■ Lingui Developments Berhad	Malaysia	Paper and Forest Products
■ Madras Aluminium Company	India	Metals and Mining
■ Norilsk Nickel	Russia	Metals and Mining
■ Rio Tinto	UK, Australia	Metals and Mining
■ Samling Global	Malaysia	Forest Products
■ Sterlite Industries*	India	Metals and Mining
■ Vedanta Resources*	UK	Metals and Mining

Corruption

- No excluded company

Weapons production

■ Alliant Techsystems	USA	Aerospace and Defence
■ Babcock & Wilcox Company	USA	Aerospace and Defence
■ BAE Systems	UK	Aerospace and Defence
■ Boeing	USA	Aerospace and Defence
■ EADS	Netherlands	Aerospace and Defence
■ Finmeccanica	Italy	Aerospace and Defence
■ GenCorp	USA	Aerospace and Defence
■ General Dynamics	USA	Aerospace and Defence
■ Hanwha Corporation	South Korea	Commodity Chemicals
■ Honeywell	USA	Aerospace and Defence
■ Jacobs Engineering Group	USA	Construction and Engineering
■ Lockheed Martin	USA	Aerospace and Defence
■ Northrop Grumman	USA	Aerospace and Defence
■ Poongsan Corporation	South Korea	Metals and Mining
■ Poongsan Holdings Corporation	South Korea	Metals and Mining
■ Raytheon	USA	Aerospace and Defence
■ Safran	France	Aerospace and Defence
■ Serco Group	UK	Environmental and Facilities Services
■ Singapore Technologies Engineering	Singapore	Aerospace and Defence
■ Textron	USA	Industrial Conglomerate

Tobacco production

■ Adris Grupa Pref	Croatia	Tobacco
■ Alliance One International	USA	Tobacco
■ Altria Group	USA	Tobacco
■ British American Tobacco	UK	Tobacco
■ Gudang Garam	Indonesia	Tobacco
■ Imperial Tobacco	UK	Tobacco
■ ITC Ltd	India	Tobacco
■ Japan Tobacco	Japan	Tobacco
■ KT&G Corp	South Korea	Tobacco
■ Lorillard	USA	Tobacco
■ Philip Morris	USA	Tobacco
■ Reynolds American	USA	Tobacco
■ Shanghai Industrial Holdings	Hong Kong	Industrial Conglomerates
■ Souza Cruz SA	Brazil	Tobacco
■ Swedish Match	Sweden	Tobacco
■ Universal Corp VA	USA	Tobacco
■ Vector Group	USA	Tobacco

* The company is excluded for several reasons.



Our goal
is to influence
companies
towards
responsible
and sustainable
value creation.

Four requirements
for reinstatement

- 1 ✓ The reported incident has ceased.
- 2 ✓ The company has adopted a responsible course of action.
- 3 ✓ The company has taken a proactive and pre-cautionary approach to improve routines and prevent future violations.
- 4 ✓ The company's action points (point 1-3) are verifiable.

Human rights

The Universal Declaration of Human Rights is an important pillar of worldwide human values. It is our responsibility as an investor and owner to support and promote adherence to this important declaration. As a consequence, 14 companies associated with human rights violations have been excluded from our investment universe.

Progress: **AES**

- 1 ☐ Excluded since: December 2008
Source: GES
Country: USA
Industry: Power Producer
Index: MSCI-WI
- 2 ☒
- 3 ☐
- 4 ☐

AES operates the hydroelectric dam Chan 75 in Panama, which according to several UN Special Rapporteurs has been associated with violations of the human rights of the indigenous Ngöbe people. During the summer of 2008, urgent appeals were sent to the State of Panama from the UN, expressing concern over the arbitrary displacements, loss of housing, destruction of agricultural crops and the excessive use of force and detaining of members of the community that opposed to project. The construction of the dam can result in the flooding of the indigenous Charco la Pava community, but the community has not been consulted.

Progress: **AFI GROUP**

- 1 ☒ Excluded since: December 2010
Source: NGPF, GES
Country: Israel
Industry: Real Estate Operating Companies
Index: Not included in KLP's benchmark index
- 2 ☐
- 3 ☐
- 4 ☐

Africa Israel Investments is involved in the construction of Israeli settlements in the Occupied Palestinian Territory. In spring 2009, the company's subsidiary Danya Cebus completed housing construction projects in three settlements. According to international law, specifically the Fourth Geneva Convention, the Israeli settlements are illegal.

Progress: **ALSTOM**

- 1 ☐ Excluded since: December 2007
Source: GES
Country: France
Industry: Electrical Equipment
Index: MSCI-WI
- 2 ☐
- 3 ☐
- 4 ☐

Alstom is associated with complicity in human rights violations in a hydro-electric project in Sudan. In August 2007, a UN Special Rapporteur from the Human Rights Council called upon companies involved in the Merowe Dam project to halt the operations due to concerns over human rights violations in connection with large resettlements involving 50,000 people. Among the companies is Alstom, which is the main supplier of electrical equipment to the project. None of the companies has followed the recommendation from the UN Special Rapporteur.

Progress: **DANYA CEBUS**

- 1 ☐ Excluded since: December 2010
Source: NGPF, GES
Country: Israel
Industry: Construction & Engineering
Index: Not included in KLP's benchmark index
- 2 ☐
- 3 ☐
- 4 ☐

Danya Cebus is involved in the construction of Israeli settlements in the Occupied Palestinian Territory. In spring 2009, the company completed housing construction projects in three settlements. According to international law, specifically the Fourth Geneva Convention, the Israeli settlements are illegal.

Progress: **DONGFENG MOTOR GROUP**

- 1 ☐ Excluded since: June 2009
Source: NGPF
Country: Hong Kong
Industry: Automobile manufacturer
Index: MSCI Emerging Markets
- 2 ☐
- 3 ☐
- 4 ☐

Dongfeng Motor Group sells military equipment to the government of Burma. The current sanctions of both the EU and the US towards Burma make sale, supply, transfer or export of arms and related materiel to Burma illegal. The exclusion of the company from our investment universe, is a consequence of the ethical guidelines of the Norwegian Government Pension Fund - Global, saying that investments in companies selling arms or military equipment to states which are on the list of countries whose government bonds are not investable, are to be avoided for the fund.

Progress: **ELBIT SYSTEMS**

- 1 ☐ Excluded since: December 2009
Source: GES, SPU
Country: Israel
Industry: Aerospace and defense
Index: MSCI-WI
- 2 ☐
- 3 ☐
- 4 ☐

Elbit supplies a surveillance system that is part of the separation barrier being built by the Israeli government in the West Bank. The construction of parts of the barrier is considered to constitute violations of international law, and Elbit, through its supply contract, is thus helping to sustain these violations.

Progress: **FMC CORPORATION**

- 1 ☐ Excluded since: June 2010
Source: GES
Country: USA
Industry: Chemicals
Index: MSCI-WI
- 2 ☐
- 3 ☐
- 4 ☐

FMC Corporation has confirmed to GES that its subsidiary FMC Foret is importing phosphate from Western Sahara. The company is thus indirectly funding Morocco's illegal occupation of the territory. In an opinion, issued in 2002, by the UN Under-Secretary General for Legal Affairs, the exploitation of natural resources in colonized territories, Western Sahara in particular, was declared illegal if it is not to the benefit of the people of the territory.

Progress: **INCITEC PIVOT**

- 1 ☐ Excluded since: June 2009
Source: GES
Country: Australia
Industry: Fertilizers and Agricultural Chemicals
Index: MSCI-WI
- 2 ☐
- 3 ☐
- 4 ☐

The company is importing phosphate rock from Western Sahara. The region is occupied by Morocco and the International Court of Justice has ruled that Morocco has no legal claims to Western Sahara, and consequently Morocco is not entitled to exploit its natural resources. The exploitation of the natural resources of colonised territories, Western Sahara in particular, has also been declared illegal in an opinion issued by the UN Under-Secretary General for Legal Affairs.

Progress: **L-3 COMMUNICATIONS**

- 1 ☒ Excluded since: December 2005
Source: GES
Country: USA
Industry: Aerospace and Defence
Index: MSCI-WI
- 2 ☐
- 3 ☐
- 4 ☐

The US army's investigation about the conditions in the Abu Ghraib prison describes several instances and practices of human rights abuses where not only soldiers but also Titan employees allegedly were involved or present. In 2003-2004, the US army held hundreds of prisoners in various prisons in Iraq. Titan has been acquired by L-3 Communications, who is continuing to supply linguist and translator services to the US army and therefore should adopt a human rights policy addressing operations in sensitive countries such as Iraq and Afghanistan.

Progress: **POTASH CORP SASKATCHEWAN**
Excluded since: June 2010
Source: GES
Country: Canada
Industry: Fertilizers & Agricultural Chemicals
Index: MSCI-WI

Potash Corp Saskatchewan has confirmed that a wholly owned subsidiary is importing phosphate from Western Sahara. The company is thus indirectly funding Morocco's illegal occupation of the territory. In an opinion, issued in 2002, by the UN Under-Secretary General for Legal Affairs, the exploitation of natural resources in colonized territories, Western Sahara in particular, was declared illegal if it is not to the benefit of the people of the territory.

Progress: **YAHOO!**
Excluded since: December 2005
Source: GES
Country: USA
Industry: Internet (software and services)
Index: MSCI-WI

Yahoo stands criticised for having passed on Internet user information of a Chinese journalist to China's state security leading to a ten-year imprisonment for the journalist. The transfer of information is confirmed by Chinese court documents and company statements. The company has during 2008 launched a Business and Human Rights Program to raise the awareness on the issue within the company. It has also together with other information technology companies in the Global Network Initiative launched a set of principles that aim to protect freedom of speech and privacy in the information and communication technologies industry.

Progress: **STERLITE INDUSTRIES**
Excluded since: June 2010
Source: GES, NGPF
Country: India
Industry: Metals and Mining
Index: MSCI Emerging Markets

Sterlite Industries is a significant joint venture-partner in the Vedanta Resources controlled aluminium production complex currently being established in Orissa in India. See reason for exclusion for Vedanta.

Progress: **VEDANTA RESOURCES**
Excluded since: December 2008
Source: GES, NGPF
Country: UK
Industry: Metals and Mining
Index: MSCI-WI

Vedanta Resources is in the process of establishing an aluminium production complex consisting of a bauxite mine and alumina refinery in Orissa in India. In establishing its operation the company has reportedly contributed to human rights abuses, including forced relocations, and violence and intimidation against local residents. For instance, the proposed hilltop mine is one of the local tribe's most sacred sites. Furthermore the company has in this process, according to the local authorities, breached Indian environmental laws, misled authorities, and caused environmental degradation. Other accusations include illegal production expansions, irresponsible handling of hazardous waste, violations against tribal peoples, deplorable wages, and dangerous working conditions in the mines and factories.

Progress: **WESFARMERS**
Excluded since: December 2007
Source: GES
Country: Australia
Industry: Hypermarkets and Super Centres
Index: MSCI-WI

Wesfarmers is associated with import of phosphat rock from Western Sahara, thus indirectly funding Morocco's illegal occupation of the country. The practice of importing phosphate rock from the concerned territory has been confirmed by the company. In 1975, the International Court of Justice ruled that Morocco has no legal claims to Western Sahara and consequently not to its natural resources. In 2002, the exploitation of the natural resources of colonised territories – Western Sahara in particular – was declared illegal in an opinion issued by the UN Under-Secretary General for Legal Affairs.

Labour rights

Every employee has fundamental labour rights. The ILO set core standards governing freedom of association, forced labour, child labour and discrimination. Companies should apply these standards on a global basis. Three companies have been excluded from our investment universe associated with labour rights violations.

Progress:	BRIDGESTONE	The UN Mission in Liberia has published a report on human rights conditions at rubber plantations, including a plantation owned by Firestone, a Bridgestone subsidiary. The report portrays child labour as a serious problem, supporting the allegations forwarded in a lawsuit against the company filed by the International Labor Rights Fund (ILRF), which is still ongoing. The company claims it has banned children from tapping trees, but workers say the ban is not enforced. Allegedly, children begin to work at the age of nine or ten in order to help their parents meet the quotas set by the company. The plantation is the largest plantation in the world, and the largest employer in Liberia. An important step forward is the collective bargaining agreement that was signed at the plantation in summer 2008 and updated in 2010.
Excluded since:	December 2006	
Source:	GES	
Country:	Japan	
Industry:	Tires and Rubber	
Index:	MSCI-WI	
1	<input type="radio"/>	
2	<input checked="" type="radio"/>	
3	<input type="radio"/>	
4	<input type="radio"/>	

Progress:	TOYOTA MOTOR	The Toyota Motor Philippines Company Workers Association union alleges that the management of Toyota Motor Philippines has impeded the right to organise and collective bargaining and resorted to illegal dismissals of workers. The International Labour Organization's (ILO) Committee of Freedom of Association lists a number of actions taken by the company to challenge the certification of a union and to intimidate employees in their preference of union.
Excluded since:	December 2005	
Source:	GES	
Country:	Japan	
Industry:	Automobile Manufacturer	
Index:	MSCI-WI	
1	<input type="radio"/>	
2	<input type="radio"/>	
3	<input type="radio"/>	
4	<input type="radio"/>	

Progress:	WAL-MART STORES	A steady stream of media reports and law suits testify of Wal-Mart's notoriously bad labour practices. The company is criticised for regulatory and legal non-compliance in several areas related to labour rights. Specific incidents concern child labour, sweatshop conditions at factories, discrimination of women and anti-union behaviour. In 2008, Massachusetts' highest court ruled in favour for some 67,500 current and former employees of Wal-Mart who claimed the company systematically withheld their wages. The attorney on the case has more than 30 other similar cases pending against Wal-Mart in other states. The company is accused of systematic discrimination of women in a class action sought by 1.6 million employees and former employees.
Excluded since:	June 2003	
Source:	GES, NGPF	
Country:	USA	
Industry:	Hypermarkets and Supercenters	
Index:	MSCI-WI	
1	<input type="radio"/>	
2	<input type="radio"/>	
3	<input type="radio"/>	
4	<input type="radio"/>	

Environment

The environment is our common resource, and subsequently, our common responsibility. By excluding companies causing environmental degradation, KLP acts responsibly and wishes to signalize the importance of sound environment management. As a consequence, eleven companies have been excluded from our investment universe.

Progress:	BARRICK GOLD	Barrick Gold, the world's largest gold producer, causes extensive environmental degradation by its operations in the Porgera gold mine in Papua New Guinea. The company makes use of a natural river system to transport and dispose of mine waste, which has a negative impact on the population's life and health, including both the residents of the actual mining area and people who live along the river downstream of the mine. The biggest threat is the heavy metals contamination, especially from mercury, produced by the tailings. The environmental damage that riverine disposal may cause are well known, but the company has not implemented any appreciable measures to prevent or reduce this damage.
Excluded since:	February 2009	
Source:	GES, NGPF	
Country:	Canada	
Industry:	Metals and Mining	
Index:	MSCI-WI	
1	<input type="radio"/>	
2	<input type="radio"/>	
3	<input type="radio"/>	
4	<input type="radio"/>	

Progress:	CHEVRON	In 2004, a trial was initiated against Chevron in Ecuador. The company stands accused of systematically dumping billions of gallons of highly toxic, carcinogenic waste into pits dug into the earth. This happened in the Amazonas jungle where Chevron operated from the 1960s to the 1990s. The trial is ongoing, and both parties are doing scientific studies of the area. Chevron contests several of the studies made, saying that they are scientifically unreliable. However, in autumn 2008, an independent expert found that 42 out of 46 toxic waste pits inspected contain high levels of toxins, and that most of them were excluded from the remediation program that Chevron has agreed upon with the government of Ecuador.
Excluded since:	June 2004	
Source:	GES	
Country:	USA	
Industry:	Oil and Gas	
Index:	MSCI-WI	
1	<input type="radio"/>	
2	<input type="radio"/>	
3	<input type="radio"/>	
4	<input type="radio"/>	

Progress:	DUKE ENERGY	Duke Energy has chosen not to install pollution control equipment at several of its plants. This in combination with the age of the plants and their large quantity of emissions indicate that the company does not manage its most central environmental risks in an adequate way. The impacts of its operations are significant on the environment and public health. In 2006, the US Supreme Court granted permission for the Environmental Protection Agency to proceed with a lawsuit against Duke Energy under the Clean Air Act.
Excluded since:	December 2006	
Source:	GES	
Country:	USA	
Industry:	Electric Utilities	
Index:	MSCI-WI	
1	<input type="radio"/>	
2	<input checked="" type="radio"/>	
3	<input checked="" type="radio"/>	
4	<input type="radio"/>	

Progress:	FREEMPORT MCMORAN	Freeport McMoRan has received heavy criticism for polluting the surroundings of its Grasberg mine in Indonesia, the world's largest gold mine and second largest copper mine. It is one of the world's most criticized mining ventures. The main concerns relate to acid rock drainage and riverine tailings disposal. The company disposes 230,000 tonnes per day of heavy metal containing mine tailings into local rivers, a practice that has been widely outlawed. The government has accused the company of negligence and ordered it to take measures to minimise the effect on the environment.
Excluded since:	July 2006	
Source:	GES, NGPF	
Country:	USA	
Industry:	Metals and Mining	
Index:	MSCI-WI	
1	<input type="radio"/>	
2	<input checked="" type="radio"/>	
3	<input type="radio"/>	
4	<input type="radio"/>	

Progress:	LINGUI DEVELOPMENTS BERHAD	The forest company has been excluded on the grounds of illegal logging and severe environmental damage. The investigations documented what appeared to be extensive and repeated breaches of the licence requirements, regulations and other directives in concession areas. Some of the violations were very serious transgressions, such as logging outside the concession area, logging in a protected area that was excluded from the concession by the authorities in order to be integrated into an existing national park, and re-entry logging without environmental impact assessments.
1	<input type="radio"/>	Excluded since: June 2011
2	<input type="radio"/>	Source: NGPF
3	<input type="radio"/>	Country: Malaysia
4	<input type="radio"/>	Industry: Paper and Forest Products
		Index: Not included in KLP's benchmark index
Progress:	MADRAS ALUMINIUM COMPANY	The exclusion is linked to the exclusion of Vedanta, Malco's mother company. On the whole, these companies generate considerable amounts of pollution and hazardous waste. With regard to Malco's activities, the Council on Ethics of the Norwegian Pension Fund Global finds that the company's handling of red mud may cause severe environmental damage. There is a high risk that the unsecured red mud dumps will pollute an important drinking water source, as well as contaminating soil and groundwater.
1	<input type="radio"/>	Excluded since: December 2007
2	<input type="radio"/>	Source: NGPF
3	<input type="radio"/>	Country: India
4	<input type="radio"/>	Industry: Metals and Mining
		Index: Not included in KLP's benchmark index
Progress:	NORILSK NICKEL	For many years, Norilsk Nickel's Polar Division has emitted large amounts of sulphur dioxide, nickel and heavy metals. Emissions have caused death or significant damage to vegetation up to 200 kilometers from the operations. Atmospheric emissions have also caused the local population significant health problems. Respiratory diseases and various forms of cancer are more prevalent here than in other regions in Russia. Even though the company has implemented measures in recent years to reduce metal emissions, current emission levels remain high. Additionally, SO2 emission levels are nearly unchanged. In the Council's opinion, it seems that the company fails to comply with national environmental regulations and, moreover, does not seem to plan to clean up the affected areas.
1	<input type="radio"/>	Excluded since: December 2009
2	<input type="radio"/>	Source: NGPF
3	<input type="radio"/>	Country: Russia
4	<input type="radio"/>	Industry: Metals and Mining
		Index: MSCI Emerging Market
Progress:	RIO TINTO	Rio Tinto Group is a joint venture partner with Freeport McMoRan in the Grasberg mine in Indonesia, the world's largest gold mine and second largest copper mine. The mine discharges large amounts of tailings directly into a river; approximately 230,000 tonnes or more per day. The discharges will be increasing in future in line with expansion of the mine. There is a high risk that acid rock drainage from the waste rock and tailings dumps will cause lasting ground and water contamination. The mine is deemed to remain profitable until 2041, which is expected to result in severe long-term environmental degradation. There are no indications that these practices will be changed.
1	<input type="radio"/>	Excluded since: December 2008
2	<input checked="" type="radio"/>	Source: GES, NGPF
3	<input type="radio"/>	Country: UK, Australia
4	<input type="radio"/>	Industry: Metals and Mining
		Index: MSCI-WI
Progress:	SAMLING GLOBAL	The Malayan forest company Samling Global has been excluded from the Norwegian Government Pension Fund Global on the grounds of illegal logging and severe environmental damage. The Council on Ethics has assessed the company's operations in Sarawak (Malaysia) and Guyana.
1	<input type="radio"/>	Excluded since: December 2010
2	<input type="radio"/>	Source: NGPF
3	<input type="radio"/>	Country: Malaysia
4	<input type="radio"/>	Industry: Forest Products & Papers
		Index: Not included in KLP's benchmark index
Progress:	STERLITE INDUSTRIES	Sterlite Industries is a significant joint venture-partner in the Vedanta Resources controlled aluminium production complex currently being established in Orissa in India. See reason for exclusion for Vedanta.
1	<input type="radio"/>	Excluded since: June 2010
2	<input type="radio"/>	Source: GES, NGPF
3	<input type="radio"/>	Country: India
4	<input type="radio"/>	Industry: Metals and Mining
		Index: Not included in KLP's benchmark index
Progress:	VEDANTA RESOURCES	Vedanta Resources is establishing an aluminium production complex in the Indian state of Orissa. In this process the company has, according to local authorities, breached Indian environmental laws, mislead authorities and caused environmental harm. These include the discharge of toxic alkaline and heavy metal laden water into rivers and groundwater. Several square kilometres of forest in one of India's most biodiverse regions will be cleared. Other accusations include illegal production expansions, irresponsible handling of hazardous waste and dangerous working conditions.
1	<input type="radio"/>	Excluded since: December 2007
2	<input type="radio"/>	Source: GES, NGPF
3	<input type="radio"/>	Country: UK
4	<input type="radio"/>	Industry: Metals and Mining
		Index: MSCI-WI

Corruption

Corruption is one of the major economic challenges hindering economic and sustainable development in many countries. As an investor, KLP supports the international battle against corruption by excluding companies that are associated with severe or systematic corrupt activities.

No company associated with corruption is excluded as of December 1, 2011.

Weapons production

Some weapons hit harder, and affect more civilians than others. KLP does not want to contribute to manufacture, sale or use of weapons that do not differentiate between civilian and military targets. As a consequence, 20 companies involved in the production or sale of landmines, nuclear or cluster weapons have been excluded.

ALLIANT TECHSYSTEMS

Excluded since: December 2005
Source: GES, NGPF
Country: USA
Industry: Aerospace and Defence
Index: Not included in KLP's benchmark index

Alliant Techsystems has been involved in many weapon projects as a supplier of special components as well as main contractor for whole cluster munitions. The company currently has no cluster munitions products in production, but will follow the US policy concerning cluster munitions and produce if required. Alliant Techsystems is also associated to the provision of key products and services for nuclear weapons. The company is involved in updating the propulsion systems for the US nuclear deterrent programme.

BABCOCK & WILCOX COMPANY

Excluded since: December 2011
Source: GES
Country: USA
Industry: Aerospace and Defence
Index: Not included in KLP's benchmark index

Babcock & Wilcox Company is associated to the provision of key products and services for nuclear weapons. It operates two nuclear weapon plants on behalf of the US government.

BAE SYSTEMS

Excluded since: January 2006
Source: NGPF
Country: UK
Industry: Aerospace and Defence
Index: MSCI-WI

BAE Systems, Finmeccanica and EADS have together formed the joint venture MBDA. The ownership structure, according to EADS' homepage is 37,5 percent BAE, 37,5 percent EADS and 25 percent Finmeccanica. This is also confirmed on the homepages of BAE Systems and Finmeccanica. According to Jane's Air Launched Weapons, MBDA is under contract to develop and produce the ASMP-A missile for the French armed forces. ASMP-A is described as a "nuclear warhead air-to-surface missile".

BOEING

Excluded since: January 2006
Source: NGPF
Country: USA
Industry: Aerospace and Defence
Index: MSCI-WI

The company is, according to its own home page a supplier of various forms of maintenance and upgrade services for the Minuteman III ICBM. ICBM, short for Intercontinental Ballistic Missiles, is the main element of the US land based strategic nuclear weapons.

EADS

Excluded since: December 2005
Source: GES, NGPF
Country: Netherlands
Industry: Aerospace and Defence
Index: MSCI-WI

EADS (European Aero-Nautics Defence and Space Company) has confirmed that the company is part of the joint venture TDA. TDA produces, among other things, the artillery grenade PR Cargo, which the company describes as follows: "This is a submunition projectile for 120 mm rifled mortars. Equipped with dual effect-submunitions, it engages dismounted troops and light armored vehicles." According to Jane's Information Group's database InfantryWeapons, PR Cargo contains 16 bomblets each. This type of weapon is an "area-weapon" and is primarily used against personnel.

FINMECCANICA

Excluded since: January 2006
 Source: NGPF
 Country: Italy
 Industry: Aerospace and Defence
 Index: MSCI-WI

BAE Systems, Finmeccanica and EADS have together formed the joint venture MBDA. The ownership structure, according to EADS' homepage is 37.5 percent BAE, 37.5 percent EADS and 25 percent Finmeccanica. This is also confirmed on the homepages of BAE Systems and Finmeccanica. According to Jane's Air Launched Weapons, MBDA is under contract to develop and produce the ASMP-A missile for the French armed forces. ASMP-A is described as a "nuclear warhead air-to-surface missile".

GENCORP

Excluded since: January 2008
 Source: GES, NGPF
 Country: USA
 Industry: Aerospace and Defence
 Index: Not included in KLP's benchmark index

GenCorp has manufactured special components for cluster munitions and still markets the products on its website. The company markets propulsion systems and warheads for the cluster weapon systems GMLRS, MLRS and ATACMS. All three weapon systems fulfil the definition under the Convention on Cluster Munitions. Furthermore, GenCorp is assumed to be involved in the production of nuclear weapons. GenCorp's fully owned subsidiary, Aerojet, produces propulsion systems for missiles that have no function other than to deliver nuclear warheads.

GENERAL DYNAMICS

Excluded since: December 2005
 Source: GES, NGPF
 Country: USA
 Industry: Aerospace and Defence
 Index: MSCI-WI

General Dynamics is associated to the provision of key products and services for nuclear weapons, part of the US nuclear deterrent programme. General Dynamics has also manufactured several cluster munitions and their components. In late 2010, the company states that no marketing, manufacture or stockpiling of these weapons is carried out by the company currently. However, the company has no policy related to cluster munitions and cannot guarantee that it would not produce the products again.

HANWHA CORPORATION

Excluded since: January 2008
 Source: GES, NGPF
 Country: South Korea
 Industry: Commodity Chemicals
 Index: MSCI Emerging Markets

The company produces various forms of military equipment, among these different types of munitions. The company have confirmed the production, and cluster munitions are marketed on the company's website.

HONEYWELL INTERNATIONAL

Excluded since: January 2006
 Source: NGPF
 Country: USA
 Industry: Aerospace and Defence
 Index: MSCI-WI

The company is, through its subsidiary Honeywell Technology Solutions Inc, responsible for repair, development, calibration, operations and maintenance of instrumentation and recording of data from simulated nuclear detonations at White Sands Missile Range in New Mexico.

JACOBS ENGINEERING GROUP

Excluded since: June 2010
 Source: GES
 Country: USA
 Industry: Construction and Engineering
 Index: MSCI-WI

Jacobs Engineering Group is associated to the provision of key products and services for nuclear weapons. The company's joint-venture, Atomic Weapons Establishment (AWE), is involved in manufacturing and maintaining warheads for the Trident II missile system, which is a part of the UK nuclear deterrent programme.

LOCKHEED MARTIN

Excluded since: December 2005
 Source: GES, NGPF
 Country: USA
 Industry: Aerospace and Defence
 Index: MSCI-WI

The company is associated to the provision of key products and services for nuclear weapons. The joint-venture Atomic Weapons Establishment (AWE) is involved in manufacturing and maintaining nuclear warheads for the Trident II missile system, which is a part of the UK nuclear programme.

NORTHROP GRUMMAN

Excluded since: January 2006
 Source: NGPF
 Country: USA
 Industry: Aerospace and Defence
 Index: MSCI-WI

The company is, according to its own press release, contractor for maintenance and upgrading of the US Air Force's Minuteman III ICBM. ICBM, short for Intercontinental Ballistic Missiles, is the main element of the US land based strategic nuclear weapons.

POONGSAN CORPORATION

Excluded since: January 2007
 Source: GES, NGPF
 Country: South-Korea
 Industry: Metals and Mining
 Index: Not included in KLP's benchmark index

Poongsan produces various types of munitions for military use, including cluster bombs. On its website, the company describes three of these products. One shell is described as containing 88 "bomblets", i.e. small, explosive sub-munitions that characterize cluster munitions. Another is described as "used for blast, fragmentation, mining effects."

POONGSAN HOLDINGS

Excluded since: January 2007
 Source: GES, NGPF
 Country: South-Korea
 Industry: Metals and Mining
 Index: Not included in KLP's benchmark index

Poongsan Holdings owns 32 percent of the shares in Poongsan. See reason for exclusion of Poongsan.

RAYTHEON

Excluded since: December 2005
 Source: NGPF, GES
 Country: USA
 Industry: Aerospace and Defence
 Index: MSCI-WI

The company produces, according to its own web-site, 3 JSOW (Joint Stand Off Weapon), and cluster munitions to these: "JSOW integrates the BLU-97 combined effects bomblets and the BLU-108 sensor fused weapon submunitions for area targets or armoured vehicles". These are considered as cluster weapons. This information is confirmed by Jane's Information Group.

SAFRAN

Excluded since: January 2006
 Source: NGPF, GES
 Country: France
 Industry: Aerospace and Defence
 Index: MSCI-WI

Safran is the mother company of companies Snecma and Sagem. In 2005, Jane's Missiles and Rockets wrote "EADS SPACE Transportation has signed a contract with the French armament procurement agency (DGA) for production of the M51 submarine-launched ballistic missile (SLBM) The contract covers series production of the M51 weapon system for a period of ten years. Worth more than EUR3 billion, it includes a fixed tranche and several conditional options. EADS SPACE Transportation is prime contractor for the programme, while SNECMA, SNPE, DCN, Thales and Sagem are the main subcontractors."

SERCO GROUP

Excluded since: January 2008
 Source: NGPF, GES
 Country: UK
 Industry: Environmental and Facilities Services
 Index: MSCI-WI

According to information on the company's website, Serco Group is a partner in the company AWE Management limited (AWEML), which is the operating company to the British Atomic Weapons Establishment (AWE). AWE is a government owned company which produces and maintains the UK's nuclear weapons.

SINGAPORE TECHNOLOGIES ENGINEERING

Excluded since: December 2001
Source: GES, NGPF
Country: Singapore
Industry: Aerospace and Defence
Index: MSCI-WI

The Ministry of Foreign Affairs in Thailand acknowledge to the International Campaign to Ban Landmines (ICBL) that a fully-owned subsidiary of Singapore Technologies Engineering continues to produce anti-personnel mines. The company confirms that mines are still being produced, however not for exports but "only for the defence of Singapore and only when we are asked to".

TEXTRON

Excluded since: December 2008
Source: GES, NGPF
Country: USA
Industry: Industrial Conglomerate
Index: MSCI-WI

Textron develops and markets cluster munitions and their submunitions, which are prohibited according to the Convention on Cluster Munitions. The company confirms that it still offers e.g. the cluster munitions CBU-105 and it has developed and is manufacturing the submunition BLU-108, which is not in compliance with the convention. The company says that a redesign of the weapon in order to be compliant with the convention would be one possible solution, but the company is not "convinced that this would be the best solution for eliminating the unacceptable risk to civilians".

Index performance of ethical investments

We balance our portfolios in order to minimize the effect of the exclusions. At the same time, KLP is working systematically to influence the excluded companies in order to reinstate them into our investment portfolios.

KLP World is a customised benchmark index where companies which have been excluded are removed from the index. This index is rebalanced so that the industrial group's weighting corresponds with MSCI World. This method of industrial group neutralisation is utilised because the difference in return between the two indexes is expected to be minor.

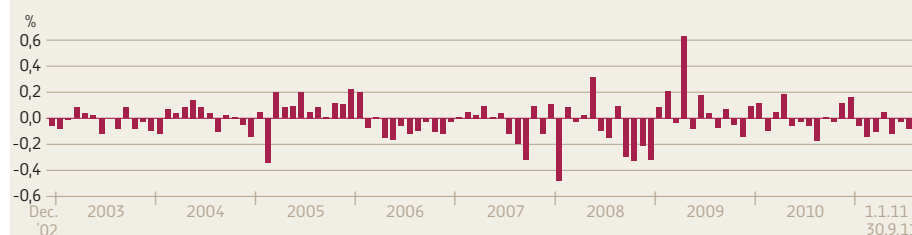
So far this year, KLP's benchmark index KLP World has a level of return that is 0.49 percent lower than the MSCI World. In 2009, KLP World outperformed with 1 percent, and last year with 0.19 %. Note that this is a quantitative analysis of the potential influence on the KLP World Index only. When

we exclude a company, it is excluded from all portfolios within all relevant asset classes, and the excluded securities will be replaced with higher weights in others within the same industry group. Consequently, the real effect is difficult to measure. There might also be differences between the effects on different regions. Nevertheless, the largest effect on the deviation will be the weight of the single excluded security (index weight) and its performance relative to its peers within a certain period of time.

However, it is a too short time period to draw any solid conclusions about the long-term financial effects.

Monthly relative return deviation, KLP World and MSCI World

The figure shows the variation between a portfolio of global stocks with negative screening and a global portfolio without exclusions (December 2002 – September 2011).



Annual relative return deviation, KLP World and MSCI World

									As of
2003	2004	2005	2006	2007	2008	2009	2010	Sept 30, 2011	
-0,31 %	0,09 %	0,84 %	-0,69 %	-0,29 %	-0,82 %	1,00 %	0,19 %	-0,49 %	

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