

COUNCIL ON ETHICS

THE GOVERNMENT PENSION FUND GLOBAL

To the Ministry of Finance

Recommendation

November 15, 2010

Unofficial English translation

Background

According to the Ethical Guidelines of the Government Pension Fund Global, paragraph 2(1) letter b: “*The assets in the Fund shall not be invested in companies which themselves or through entities they control: [...] produce tobacco*”¹

In October 2009, the Council submitted a recommendation to exclude 17 tobacco-producing companies from the Fund.² These were all companies which were classified as tobacco producers by the Fund’s index providers. The recommendation noted that there could be companies which are involved in several industries, amongst them tobacco production, and that these companies would not necessarily be classified in the Fund’s indices as tobacco producers. The Council has surveyed the Fund’s portfolio with the aim of identifying such companies. The survey showed that the Chinese industrial company **Shanghai Industrial Holdings Ltd.**³ could be involved in tobacco production.

Contact with the company

The Council wrote to Shanghai Industrial Holdings Ltd. in September 2010 to enquire whether the company itself or entities under its control produces tobacco.⁴ The company’s response clarified that its wholly owned subsidiary, Nanyang Brothers Tobacco Company Ltd., produces tobacco.⁵

Recommendation

Based on the information provided above, the Council recommends that the company Shanghai Industrial Holdings Ltd. be excluded from the investment universe of the Government Pension Fund Global.

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¹ Guidelines for the observation and exclusion of companies from the Government Pension Fund Global’s investment universe: http://www.regjeringen.no/en/sub/styrer-rad-utvalg/ethics_council/ethical-guidelines.html?id=425277

² The Council’s recommendation to exclude tobacco producers: http://www.regjeringen.no/en/sub/styrer-rad-utvalg/ethics_council/Recommendations/Recommendations/recommendations-on-tobacco/Recommendation-of-october-22nd-2009-on-exclusion-of-tobacco-companies.html?id=591204

³ Sedol: 6810010

⁴ Letter from Council to Shanghai Industrial Holdings Ltd., September 16, 2010.

⁵ “*Shanghai Industrial Holdings Limited acknowledges that through its wholly-owned subsidiary, Nanyang Brothers Tobacco Company, Limited, engages in the production of tobacco.*”, E-mail from Shanghai Industrial Holdings Ltd to Council, September 20, 2010.

