

REPORT ON DIALOGUE BETWEEN NORGES BANK AND MONSANTO CO.

Date: March 10, 2008

We refer to the earlier correspondence and contact between the Finance Ministry and Norges Bank regarding Monsanto Co., a US-registered company within the agricultural sector, which is part of the stock portfolio of the Norwegian Government Pension Fund – Global.

Norges Bank has in 2007 and early 2008 achieved a fruitful dialogue with important and interesting results. In the following, we will report first on the background to our dialogue, and then on the dialogue itself.

Based on investigations done in 2005 and 2006 by the Council on Ethics regarding the risk of Monsanto Co. contributing to child labor in the hybrid cotton seed industry in India, a recommendation to exclude the company from the portfolio of the Norwegian Government Pension Fund – Global was given by the Council to the Ministry of Finance in November 2006. In December 2006, Norges Bank recommended to the Ministry that the bank be allowed to initiate dialogue with the company, with the aim of addressing the issue of child labor and initiating an active process with the company's board of directors and other relevant parties in the company.

The dialogue with the company has been executed according to the plan set up by Norges Bank in our letter of December 20, 2006, and further agreement made with the Finance Ministry during a meeting on March 7, 2007. We refer also to our letter dated April 27, 2007 and our meeting with the Finance Ministry December 19, 2007.

We have had the following meetings with the company:

- April 2007: Teleconference initiated and led by Norges Bank. Hugh Grant, Chairman and CEO of Monsanto, participated along with several members of Monsanto management. During the meeting, Norges Bank expressed its

concerns about the child labor situation, and the company explained its newly instituted human rights policy and its programs to address child labor and children's rights. Hugh Grant invited Norges Bank to visit the company in St. Louis and carry the dialogue further.

- May 2007: Meeting in St. Louis with Maureen Mazurek, Head of Human Rights, and Deborah Grossman, Vice President for Public Policy, to discuss the company's forward-looking plans for combatting child labor in the hybrid cotton seed industry. During the meeting, Norges Bank's representatives also met in person with Chairman/CEO Hugh Grant.
- June 2007: Meeting in Washington, DC with Dr. Gwendolyn King, board member (2001-2010) and chairman of the Board Committee for Public Policy and Corporate Responsibility, to discuss the board's commitment to following up on the child labor situation at board level, and discuss the drawing up of key performance indicators according to which company management will report back to the board.
- October 2007: Meetings in St. Louis. First, Norges Bank had a management-level meeting with Maureen Mazurek and Deborah Grossman, at which the child labor situation in India and Monsanto's human rights/child labor management to date was reviewed and discussed in detail. The company also informed about Monsanto's child labor/human rights targets for 2008. Norges Bank was presented with the key performance indicators according to which the company management would report to its board and to relevant stakeholders, such as Norges Bank, for the 2007 season. The management-level meeting was followed by a meeting with the whole Board Committee on Public Policy and Corporate Responsibility during the company's board meeting. In this meeting, Monsanto's board reconfirmed its commitment towards zero tolerance on child labor, and towards requesting and regularly reviewing progress reports on human-rights and anti-child-labor implementation. The board also committed to maintaining a continued dialogue with Norges Bank. Norges Bank presented a draft of the NBIM

Investor Expectations on Children's Rights to the board and asked the board to consider future participation in the UN Global Compact. During both meetings Norges Bank expressed its expectation, also stated in earlier meetings, that the company should do more to influence its business partners in India.

- January 2008: Meeting in Hyderabad, India with Maureen Mazurek and members of Monsanto leadership in India, including Mohan Rao, Head of Human Rights for India. The company's progress in regard to monitoring and auditing in India were discussed. Please see below for details.

In the following, we will summarize the main findings and results of the dialogue.

- Figures as of January 20, 2008 indicate, according to the company's own, internally audited figures, that the percentage of children under 14 (the definitional age for child labor in India) working on farms under contract with Monsanto, as part of the total work stock, was 0,4 % in 2007. This is down from approximately 20% in 2004, 10% in 2005, and 5% in 2006. The preliminary, as yet unofficial results of the external audits for 2007 actually indicate somewhat lower numbers than the company's own, according to a communication from the company received by e-mail March 6.
- The company has built a structure for addressing child labor and other human rights violations in a systematic manner. This structure was under development in 2006, when the Council on Ethics finalised its report, but has been much strengthened since then. The company has a Head of Human Rights co-ordinating this work from company headquarters in St. Louis, along with a separate Head of Human Rights in India, and a network of internal auditors and so-called human rights champions throughout its production chain.
- The company has in the course of 2006 and 2007 strengthened its internal formal protocols and procedures for auditing, forms, and training programs. External auditing is done through an independent 3<sup>rd</sup> party, Level Works. The

company's Child Care Program (CCP) is part of a multi-stakeholder organization, and the internal monitoring and follow-up is thus done in collaboration with other stakeholders. The structure of the CCP is given below.

- The company admits that the largest problems remain in the Northwestern province of Gujarat, where many workers are migrant workers, and child labor is harder to monitor, verify, and combat. However, the company has a clear ambition to achieve the same results in Gujarat province as in other areas of production, and it has already managed to avoid most child labor on its farms in the province. (The total average figures of 0,4% child labor in 2007 include Gujarat province, which had 12% of the company's total hybrid cotton seed acreage in 2007.)
- All inspectors sent to farms producing for Monsanto are now trained in monitoring human rights issues, including child labor. This means that the number of monitoring visits that include attention to child labor has risen. Close to 10,000 monitoring visits addressing CCP issues, covering a total of 2150 acres and approximately 2500 different growers, were made in 2007.
- In 2007, all growers (farmers) producing for Monsanto were taken through training in human rights, including the company's child labor policy. All growers signed contracts in the local language, communicated orally in cases of illiteracy, covering the child labor policy, and they received regular written follow-ups from the company, in the form of post cards, in addition to inspection and auditing visits.
- In 2007, new educational initiatives were taken, which aim to ensure that children taken out of child labor in the fields are offered a place in a local school. The company is currently evaluating the effectiveness of the collaboration with its 2007 local partners in this field. (The company discontinued its 2006 co-operation with a school NGO, since it did not find the results satisfactory.)

- The joint venture MMB, jointly owned 50-50 by Monsanto and Mahyco (an Indian seed company of which Monsanto holds a 26% ownership stake), constituted a decisive factor in the Council on Ethics' recommendation to exclude Monsanto in 2006, given the fact that national companies buying licenses from MMB were using child labor during the 2005 season. Norges Bank has raised this issue with board and management, and it has been verified that MMB is not a production company, but a licensing company for Monsanto seed traits, and that Monsanto has no legal control over the companies buying its licences. Norges Bank has nonetheless encouraged Monsanto to communicate even more clearly to its business partners, including partners buying licenses from MMB, its expectations regarding child labor.
- The company has started formal discussions with the leadership of Mahyco (in which Monsanto has a 26% ownership stake) on developing a human rights policy. Monsanto also presented an overview of its policy, the implementation of its program, and the results to date to the provincial government in Andhra Pradesh. The Andhra Pradesh government has asked the company to present its program and results at a multi-stakeholder meeting to be organized by the provincial government, most likely in the near future.
- In its 2007 Pledge Report, which corresponds to a Sustainability and Human Rights report, the company now reports over two pages on its program in India to combat child labor, and summarizes key results from the program. As an investor, Norges Bank considers such reporting to be important, as it gives stakeholders a better overview of the challenges and ambitions of the company.
- Although the dialogue has centered on child labor and children's rights, it should be added that the company has also increased its field safety training, with a concentration on the right use of chemicals and protective equipment. Information campaigns have been executed to create awareness among field

assistants and growers. Special pilot projects at 60 farms, with intensive training and sensitizing to the use of protective equipment, were executed in 2007, with the aim of clarifying which rules and equipment are best suited, and with the added aim of creating increased awareness about the importance of protective equipment. As compared to the 2005 season, on which the Council on Ethics recommendation was based, the company has come further in developing its field safety program, and Norges Bank has as part of the dialogue asked questions and received information about the progress and aims of the program. Norges Bank will include the follow-up of the field safety pilot projects in our continued dialogue in 2008. Our expectation that the use of protective equipment is inspected and enforced for all Monsanto growers will be clearly expressed.

- The company states that the dialogue with Norges Bank has added significant value to its work on combating child labor, and that the dialogue will continue in 2008 and beyond, as long as Norges Bank finds it necessary to monitor the situation.

Norges Bank has discussed with Monsanto management the possibility of a concerted action approach towards the issue of child labour within the hybrid seed sector – starting with bringing together the top level of each multinational company engaged in the hybrid seed sector for a roundtable discussion. The objective of such a meeting, facilitated by Norges Bank, would be a confidential discussion about the possibility of working towards an industry standard within this sector. The company has endorsed this plan, and Norges Bank is now working to bring the relevant board representatives of this company and other multinational companies in the same sector together for a confidential review and discussion in May 2008.

Norges Bank believes that the process with Monsanto has been productive and effective. It should be mentioned especially that the company's newly initiated work to more actively influence its business partners in India, primarily through its relationship with Mahyco, is to some degree the result of Norges Bank's insistence on this point in dialogue with the company.

Norges Bank, in its role as investor, cannot determine whether figures presented by the company regarding child labor are 100% accurate, or that the amount of children is not somewhat higher than generally reported during the two to three weeks each fall that constitute the pollination period of so-called Rabi season, i.e., the most labor intensive weeks of the whole year. Also, since the age limit used by Monsanto to define child labor is 14 rather than 15 – here following Indian standards, which is also the standard used by the NGOs, researchers, and companies involved in the multi-stakeholder Child Care Program (CCP) – the total number of child laborers according to the higher threshold (15) are likely somewhat higher than the figures reported by the company.

It is, in our view, likely that a continued dialogue with Monsanto will create an opportunity for more concerted action between Monsanto and other leading companies, national and multinational. A concerted action approach working towards a common standard in regard to child labour in the hybrid seed sector in India is important considering that child labor as such is not forbidden according to local law, and that most national companies, which control more than 90% of the hybrid cotton and vegetable seed production in India, according to most reports has a work stock consisting of approximately 10% children under the age of 14 years.

An important first step in this process will be the bringing together of board representatives from several of the major multinational companies engaged in this sector, as described above, for a discussion at the highest policymaking level of the respective companies. The aim of this continued dialogue is to further reduce the total amount of children being exploited through child labor and the absence of proper education.

Below are given selected overviews communicated to Norges Bank during its visit to Monsanto's Indian headquarters in January 2008 (information updated as of January 24, 2008). The information given here is labelled "company confidential" by Monsanto. However, the company has been informed that these figures are being communicated to the Finance Ministry in connection with this letter, and they have agreed to this information being shared with the ministry. They do ask to be informed before any of this information is made public.

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## The 2007 Season

### Business Partners – Seed Coordinators & Growers

- **Child Care Program (CCP)**

- Multi-task holder organization including local government, NGO, and industry
- Child labor focus in hybrid cottonseed production
- Objective: *Reduce child labor in hybrid cottonseed production thru regular field monitoring*
- Coverage expansion for 2007 season

- **Field Safety**

- Evaluate & identify safety risks in fields.
- Conduct growers safety awareness training
- Identified 60 PPE Pilot farms

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## The 2007 Season

### Village Efforts

- Child Labor Free Village
- Grower and community awareness campaigns & training
- Grower clauses
- Incentive programs
- Learning Centres

### Training & Tools

- Formal audit protocol, procedures, forms, and training program
- Training for CCP auditors, Regional Managers, PE6, FAs, local Human Rights team
- Communication of Human Rights policy to all employees and business partners

### Independent Audit

- External 3<sup>rd</sup> party
  - Verification
  - Training effectiveness
  - Gaps

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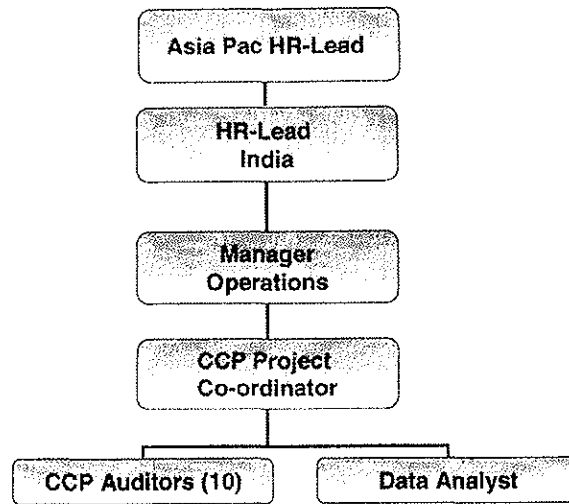


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## Human Rights India Team

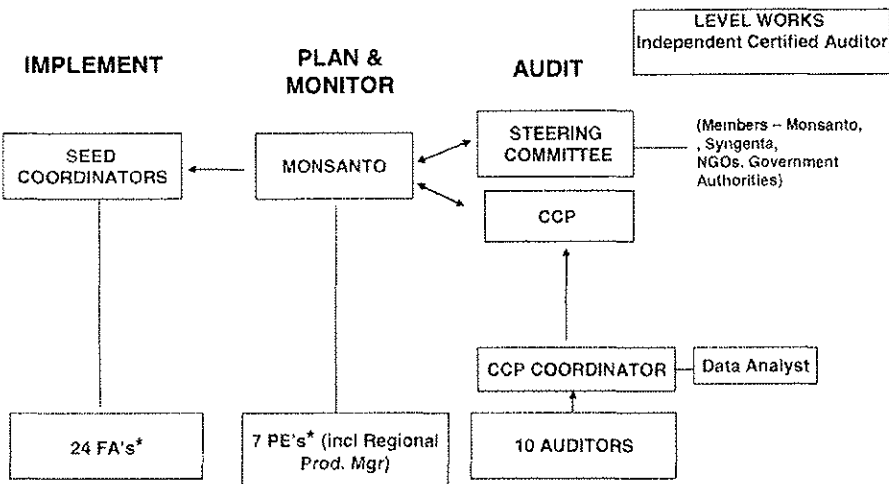


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## 2007 CCP Structure



\*FA's - Field Assistants  
\*PE's - Production Executives

## Initiatives & Tools

- Contracts with Business Partners & Growers
- Village Level Meetings
- Growers Group Meetings
- Door to Door Campaign
- Posters
- Post Cards
- Leaflets
- Field Attendance records
- Incentive Distribution
- Training on Child Labor & Field Safety

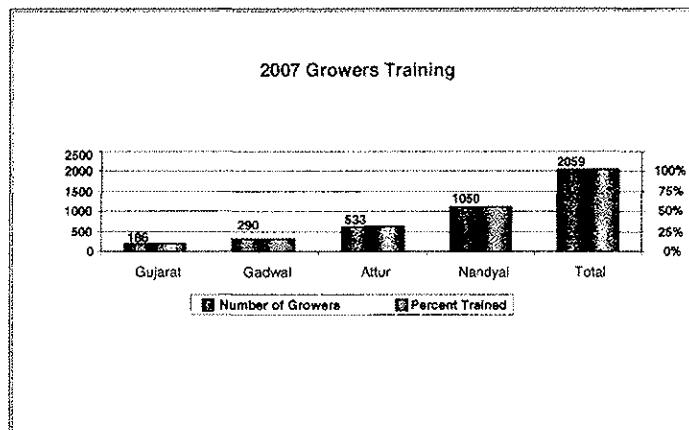
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100% of Growers Trained in 2007

## Human Rights



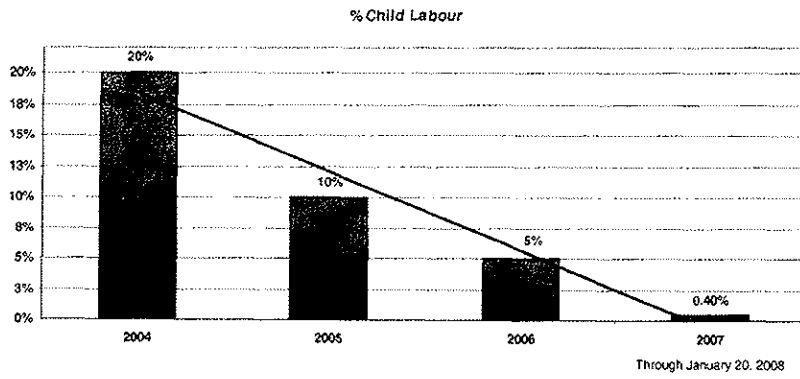
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100% of Growers Trained in 2007

# Project: India Child Labor



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