

Unacceptable Greenhouse Gas (GHG) Emissions

KLP seeks to apply a consistent and principled approach to all of its exclusion decisions. To ensure that we handle similar cases consistently, we rely on KLP's previous divestment decisions, as well as recommendations on exclusion from the Council on Ethics for the Government Pension Fund – Global (GPFG).¹

KLP makes exclusion decisions based on whether there is an unacceptable risk for ongoing or future violations, not on past violations alone. This approach highlights that KLP's goal is not to "punish" companies, but to ensure that KLP does not contribute to violations through its investments.

International standards

The criterion applies to companies that contribute to or are responsible for acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions. At the date of writing, there are no recommendations on exclusion under this criterion from the Council on Ethics for the GPFG to which KLP can look for guidance.

The United Nations Framework Convention on Climate Change ("The Paris Agreement")² sets international standards for GHG emissions. However, as these apply to nationally determined contributions – that is, emissions at a country level – they do not easily translate into specific standards for companies.

Key considerations

KLP seeks to apply this criterion in a manner that permits comparison across industries and geographies. At a minimum, looking to a simple measure of absolute emissions or to carbon intensity at a company level would not be sufficient to justify exclusion. A more complete picture of the company's climate performance is necessary. Moreover, these figures also rely on historical data, sometimes as much as two years old. Consistent with KLP's conduct-based exclusion criteria more broadly, it is important to analyze any trends in company performance as well as future plans to determine whether there is an unacceptable risk of future or ongoing violations.

¹ <https://www.regjeringen.no/no/dokumenter/nou-2003-22/id118914/>

² http://unfccc.int/paris_agreement/items/9485.php