



The Council's work under the human rights criterion

Section 3 of the GPFG's guidelines states that "Companies may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for serious or systematic human rights violations."

The Council on Ethics bases its assessment of what constitutes a violation of the human rights criterion on internationally recognised conventions and authoritative interpretations thereof. The Council examined many different issues relative to this criterion in 2017. The main focal points under this criterion were investigations into labour rights violations in the textiles industry in Southeast Asia, conditions akin to forced labor for migrant workers in the Gulf States and child labour in the seed production sector in India, as well as the break-up of ships for scrap in Bangladesh and Pakistan, which was assessed in relation to both the human rights and environmental criteria.

The textiles and garment industry

In 2017, the Council on Ethics continued its examination of working conditions at companies which themselves produce yarn, fabric or garments. The Council has previously concluded that a small number of human rights violations can be sufficient to exclude a company if those violations are extremely serious, while violations do not individually need to be that serious if they occur systematically. In the textiles-related cases it has assessed, the Council considers whether a company is at risk of being responsible for systematic human rights violations.

For human rights violations to be systematic, they must be substantial in scope. In other words, they must be numerous, must infringe different types of rights or must occur in many different parts of the company. For the Council, "systematic" implies that such violations are not isolated incidents, but form a pattern of behaviour. In cases where violations of labour rights occur in a company's own operations, the company has direct responsibility for its employees and for preventing their labour rights from being infringed. The Council's position is that, with respect to norm violations perpetrated within a company's own operations, the threshold for what can be accepted must be lower than when a company contributes to norm violations perpetrated by others. In its assessment of the risk of human rights violations, the Council attaches importance to how a company has previously responded when norm violations have been uncovered, and what it has done to prevent such violations from occurring once again.

Since it started work in 2015, 17 companies have been assessed. A total of 25 factories have been investigated in Cambodia, Vietnam, Bangladesh and Myanmar, and further investigations are currently underway. For some companies, several factories have been investigated, or the same factory has been investigated on several different occasions.

The examination of working conditions at the factories is performed by consultants, partly through interviews with workers off site, at locations where they feel safe. Factory inspections have also been carried out. The investigations have shown that working conditions at the factories are generally poor, and that many operate in contravention of national legislation. Forced overtime, unlawful wage deductions, discrimination and harassment are common. In some factories, there are indications of working conditions that are harmful to health, due to result of excessive noise, heat, chemicals and high concentrations of dust. Managers at several factories have implemented measures to prevent unionisation. Child labour is unusual, but in some factories youngsters under the age of 18 work with no attention paid to their need for particular protection.

On the basis of the investigations carried out so far, draft recommendations to exclude have been sent to 12 companies. Several of the companies have subsequently contacted the Council and initiated measures to improve working conditions. Nevertheless, the question is whether such measures will have a lasting impact. Most textiles companies are inspected by customers or their representatives many times each year, and most customers demand that the companies respect human rights. When norm violations are uncovered, the companies draw up a plan for corrective action. However, the Council's investigations have revealed many labour rights violations in companies that are regularly inspected by customers. One explanation may be that the customers focus on the production line that manufactures for them, while the overall responsibility for working conditions at the company is addressed to only a lesser extent.

Assessing the threshold for what constitutes serious and systematic human rights violations as well as evaluating future risk, represents a major challenge. The Council has previously recommended the exclusion of two companies, which Norges Bank elected to place under observation. Work with respect to seven of the companies has concluded because the working conditions were not of such a nature as to warrant exclusion or because the companies have made significant improvements and changes in their management practices, which have helped to reduce the future risk. The Council's investigations show that there are major differences in working conditions at the textiles factories and in how the companies operate their businesses. If the board and management so wish, it is possible to be a responsible employer and provide acceptable working conditions at their factories.

The Council on Ethics will continue its work with textiles and garment manufacturers in 2018.

The construction industry and service sector in the Gulf States

In 2017, the Council on Ethics has carried out a number of investigations into workers' situation in companies in the construction industry and service sector in Qatar and the UAE. The workers are almost all migrants from Nepal, Bangladesh, India and Pakistan. The Council found that it is common practice for workers to pay to get work in the Gulf States, and that many have taken out loans to cover the cost. During the recruitment process, workers are, moreover, often misled about working conditions and rates of pay. As a result, many become extremely dependent on their employer, so that the relationship borders to forced labour. Workers normally have little knowledge of their rights. Since the project's commencement in the autumn of 2016, nine companies have been investigated. The Council will continue this work in 2018.

Workers from North Korea

In 2017, the Council on Ethics recommended the exclusion of a property developer because it knowingly employed a subcontractor that used North Korean labourers at one of its construction sites. Although the workers were not directly employed by the company in which the GPFG

had invested, the Council considers that the main contractor has a responsibility for all the workers at its construction sites. The Council attached importance to the fact that several UN reports point out that North Korean workers, who are hired out through North Korean staffing agencies, are subjected to forced labour. The workers are sent abroad by the regime without knowing the conditions they will be working under. They cannot choose to cease working, since their passports and mobile phones are confiscated. They live under constant surveillance and must remain either at the place of work or domicile. They work under the threat of reprisals against their families back home should they complain or abscond. This practice will probably be severely curtailed after the UN Security Council's recent decision to extend sanctions against North Korea, including a ban on the issuing of work permits to North Korean workers by member states.

Child labour in the seed industry

In 2017, the Council on Ethics also carried out field studies to investigate the scope of child labour at several companies engaged in the Indian seed industry. The companies have been followed up in 2017. Following the Council's enquiries, two companies have made it clear that they will strengthen their efforts to reduce the use of child labour in their seed production. The Council on Ethics has decided not to recommend the exclusion of these companies at this juncture, but will instead monitor their performance over a period of time. Further follow-up of companies, as well as additional field studies relating to one company, will be carried out in 2018.

Individual cases

The Council on Ethics often uses sector studies to identify and investigate companies deemed to have a high risk of violating ethical norms. Through news reports and other ad-hoc reporting, the Council also receives information about individual companies which may warrant further investigation. Individual cases that the Council has worked on in 2017 have related largely to the rights of indigenous peoples.