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Norwegian fund sells off euro 1.8bn in tobacco shares after government ban

Ministry of finance approves tobacco manufacturer exclusion.



by **Hugh Wheelan** | January 19th, 2010

The Norwegian Ministry of Finance has taken one of the biggest ethical stances against investing in cigarette companies by selling shares worth €1.8bn in 17 tobacco producers from the portfolios of its massive NOK2,385bn (€280bn) Government Pension Fund. The Ministry said the tobacco sell off followed a recommendation to ban all tobacco producers made by the Government Pension Fund's Council on Ethics. The fund said the shares had already been sold. The excluded companies are: Alliance One International Inc., Altria Group Inc., British American Tobacco BHD, British American Tobacco Plc., Gudang Garam Tbk Pt., Imperial Tobacco Group Plc., ITC Ltd., Japan Tobacco Inc., KT&G Corp, Lorillard Inc., Philip Morris International Inc., Philip Morris Cr AS., Reynolds American Inc., Souza Cruz SA, Swedish Match AB, Universal Corp VA and Vector Group Ltd. The Norwegian tobacco divestment is likely to be controversial. A report in June last year by US pension giant, CalSTRS, revealed that excluding tobacco stocks had cost the fund more than \$1bn in lost gains over seven years. The report said CalSTRS could no longer justify excluding the stocks on a financial basis and recommended repealing the policy. In 2000, CalSTRS and CalPERS, its sister Californian pension fund, banned tobacco stocks citing various lawsuits against the industry and looming government regulation. Both funds are believed to be reviewing their policies. The Norwegian ban, however, is based on a pure ethical decision to remove tobacco manufacturers from its investments following an April 2009 recommendation report by the Ministry of Finance to the Storting Norwegian Parliament. The exclusion is based on the production of tobacco, not on the sale of tobacco products nor the production of additives or ingredients used for tobacco products. Norwegian Minister of Finance, Sigbjørn Johnsen, said it was important that the ethical guidelines of the fund reflect "what can be considered to be commonly held values of the owners of the fund". He cited international and national developments such as the WHO Framework Convention on Tobacco Control and the tightening of the Norwegian Tobacco Act as examples of policy aimed at stopping smoking: "We have taken these changes on board and believe – amongst others in

light of the consultative input in connection with the evaluation of the ethical guidelines – that it is timely to exclude tobacco from the fund.

Norway was one of the first countries to ban smoking in public places. It is estimated that about 20% of the Norwegian population smokes.