

Unofficial English translation

To the Ministry of Finance

March 19th, 2009

On the Council on Ethics' assessments of investments in companies with activities in Israel

We hereby refer to the letter from the Ministry of Finance, dated January 7th, 2009, requesting an overview of the Council's assessments of cases related to companies with activities in Israel.

The Fund's investments in Israel

As of January, 2008, the Fund had 8 equity and 2 bond investments in Israeli companies. By January, 2009, this number had increased to 41 equity and 2 bond investments. Investments in non-Israeli companies which may have some form of operations in Israel are not included in this figure. The extent this of is difficult to estimate.

Previous assessments by the Council

The Council has on two previous occasions given its assessment of investments related to Israel:

In its letter dated May 15th, 2006, the Council gave its assessment of the five companies which, at that time, constituted the Fund's Israeli portfolio.

In March 2008, the Ministry specifically requested the Council to provide its assessment of the Fund's investments in bonds issued by Israel Electric Corporation ("IEC"). The background for this was allegations that IEC had reduced the electricity supply to Gaza under instruction from the Israeli Ministry of Defence.

The Council responded to the Ministry's request in its letter dated April 18th, 2008. The Council assumed that the cuts in electricity supply to Gaza were not ongoing:

“Also, the Council assumes that the reduction in IEC's electricity supply to Gaza is not ongoing. [...] According to the Fund's ethical guidelines, breaches of norms must be ongoing or there must be an unacceptable risk of future breaches for the exclusion mechanism to be used. As the reduction in supply of electricity has ceased, this cannot be considered an ongoing breach of norms.”

Moreover, the Council considered whether the risk of future breaches of norms was unacceptable:

“The question which faces the Council is whether there is an unacceptable risk of the Fund's future contribution, through its investments in bonds issued by IEC, to grave breaches of norms. Such contribution largely depends on whether IEC will again introduce reductions in the electricity supply to Gaza. The Council finds it difficult to have a clear opinion on the likelihood of such possible, future reductions in the supply of electricity to Gaza.”

In conclusion, the Council stated that it would reassess the Fund's investments in the company if future reductions in electricity supply are implemented:

“If future reductions in the electricity supply to Gaza, causing unacceptable humanitarian conditions for the civilian population, are introduced by IEC, the Council may renew its assessment of the Fund's investment in IEC.”

The Council's follow-up of this conclusion is outlined below.

The role of IEC in the recent conflict

Gaza has partly been without supply of electricity since Israel's use of military force against Gaza commenced in December of 2008.

On January 5th, 2009, the Council's secretariat made an inquiry to the Norwegian embassy in Tel Aviv regarding possible cuts in the electric power to Gaza, and whether IEC was involved in such cuts.

The embassy gathered information from the ICRC, the Israeli human rights organization Gisha and the Israeli Ministry of Defence. The embassy responded the same day and provided additional information in the course of the following two days. It was confirmed that large parts of the electricity supply from Israel to Gaza were broken. The Council was also informed that power lines and transformers were destroyed from military action, and that supply of power to i.a. Gaza City was therefore not possible.

The Council's secretariat also contacted the Norwegian People's Aid (NPA) on January 5th, 2009 with a similar inquiry. The NPA had no information indicating that IEC was deliberately cutting the power supply to Gaza.

Gisha provided additional information to the secretariat on January 29th, 2009. In an e-mail, Gisha stated that approximately 20% of Gaza's population was completely without electricity as of January 28th, and the remainder 80% only has 6-8 hours of supply daily. Gisha also

informed that the previously reported problems of lack of electricity for water and sewage systems were continuing. The shortage of electricity was partly due to destroyed power lines and transformers, and partly due to lack of adequate fuel supply to the Gaza power plant.

The Council is unaware of any recent information indicating that IEC has reduced the supply of electricity to Gaza as a means of sanction. Therefore, there seem to be no grounds at present to conduct a renewed assessment of the Fund's investment in bonds issued by IEC.

The Council's assessment of other cases related to the conflict in the Middle East

Israeli companies or companies operating in Israel are subject to the same guidelines and treated in the same way as all other companies in the Fund. It is the role of the Council to assess companies' behaviour, not possible breaches of norms by states or other parties. In states where international humanitarian law or other norms are violated, there will be an increased risk of companies' involvement in such violations.

The Council has, on the basis of the Guidelines' exclusion criteria pertaining to human rights violations and violations of individual's rights in war and conflict, assessed several Israeli companies and companies operating in Israel. A part of this analysis is to assess whether companies in the Fund have activities which can be considered supportive of violations of international humanitarian law. One area of such interest is the construction of various forms of infrastructure in occupied territories.
