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The Annual Report of the Ethical Council 2009 – Dialogue and cooperation are effective tools for influencing companies

The Ethical Council of the First, Second, Third and Fourth AP Funds today publishes its annual report for 2009. The report details the dialogues that the Council holds with companies where indications exist that the companies in question have violated the AP funds' ethical guidelines.

The Council uses dialogue and cooperation as its main tools for influencing companies to act responsibly. The discussions have two aims: encouraging companies to address violations of international conventions and to implement proper systems to prevent future abuses. In 2009, the Council concluded four dialogues after achieving its objectives. The four companies involved were Grupo Ferrovial, PetroChina, Thales and Yahoo. These discussions were ongoing for a couple of years and resulted in satisfactory improvements in each case.

The Ethical Council also takes an active role in investor initiatives aimed at encouraging companies to raise their level of transparency, to act more responsibly and to address major ethical and environmental issues. In 2009 the Council developed its work and processes with other investors to improve its ability to influence companies. Initiatives included the joint proposal with a Dutch and an American pension fund of a resolution to the general meeting of the US mining company Freeport McMoran.

In spite of numerous successful dialogues and initiatives, the Ethical Council has in the first quarter of 2010 recommended the AP funds to exclude the company Elbit Systems Ltd from their portfolios due to the fact that dialogue between the Council and the company has not produced the intended results. All the AP funds have decided to follow this recommendation. The Ethical Council recommended that Elbit Systems Ltd should be excluded from each portfolio because it deems that the company can be linked to violations of fundamental conventions and norms through its active development, delivery and maintenance of a custom-made monitoring system for certain parts of the separation barrier being built on the West Bank. The Council has noted that both the European Union and the Swedish government consider the part of the separation barrier being built on West Bank to be illegal under international law. This position is also supported by the advisory opinion from 2004 by the International Court of Justice regarding the separation barrier.

Annika Andersson, Chair of the Ethical Council in 2010, said: "The work of the Ethical Council is based on a rigorous process where dialogues with companies are our main tool. Staying on as a shareholder to continue the dialogue produces visible results, but it also requires resources and patience. As a last resort, the Ethical Council may recommend each fund to exclude the company if the dialogue fails to produce the desired result. This is now the case with Elbit Systems Ltd."

Read more about company dialogues and the Ethical Council's other activities in the annual report for 2009, available for download at www.ethicalcouncil.com.

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