Risk Assessment of Enel SpA for the Government Pension Fund Global

Executive Summary

Purpose of Assessment

This report provides a comprehensive risk assessment of Enel SpA, an Italian multinational energy company, in accordance with the ethical guidelines governing the Norwegian Government Pension Fund Global (GPFG). The evaluation focuses on determining the company's compliance with the Fund's criteria for observation and exclusion, with specific emphasis on product-based risks (§3 of the guidelines), conduct-based risks (§4), and exposure to geopolitical conflicts. The objective is to deliver a conclusive risk categorization to inform the Fund's investment decisions regarding Enel SpA.

Key Findings - Product-Based Risk (§3)

The analysis concludes that Enel SpA is not in breach of the GPFG's product-based exclusion criteria. The company has no involvement in the production of prohibited weapons, tobacco, or cannabis. Its engagement in the thermal coal sector is diminishing rapidly and remains well below all four of the Fund's quantitative exclusion thresholds. As of the first nine months of 2024, revenue from coal-fired generation constituted only 0.9% of total group revenues, drastically lower than the 30% threshold. The company's installed coal capacity is also below the 10,000 MW limit and is subject to a credible and time-bound phase-out plan, with a target for complete coal exit by 2027. This decarbonization is a core element of Enel's financial and operational strategy, suggesting the trend is robust and irreversible.

Key Findings - Conduct-Based Risk (§4)

The assessment identifies severe and systematic risks related to Enel SpA's corporate conduct, presenting an unacceptable risk of contributing to grave breaches of fundamental ethical norms. The most critical issue is the company's development of renewable energy projects in the occupied territory of Western Sahara. These operations are proceeding without the consent of the Saharawi people, the indigenous inhabitants of the region, which constitutes a potential violation of international law and aligns with the GPFG's criteria for "serious violations of individuals' rights in... conflict situations" (§4b). This is not an isolated incident; a broader pattern of conflict with indigenous and local communities is evident across the company's portfolio, including the suspension of a major wind project in Colombia amid protests and allegations of stoking violence, and accusations of "green grabbing" and land dispossession in Brazil. This pattern indicates a systemic gap between the company's formal human rights policies and its on-the-ground operational practices.

Key Findings - Geopolitical Risk

Enel SpA has demonstrated an ability to mitigate acute geopolitical risk through its decisive and complete divestment of all Russian assets following the 2022 invasion of Ukraine. However, this action contrasts sharply with its continued and expanding operations in the conflict-affected region of Western Sahara. This inconsistency suggests a geopolitical risk management framework that may be reactive to sanctions and overt warfare rather than being proactively guided by a consistent application of international law and human rights principles. The company's high-tension operational environments in parts of Latin America, which have led to project failures and significant community opposition, constitute an additional and material geopolitical risk.

Final Recommendation

Despite Enel SpA's commendable leadership in the global energy transition and its strong performance against climate-related metrics, the severity and systematic nature of the human rights controversies associated with its operations create an unacceptable level of ethical risk. The company's activities in occupied Western Sahara, in particular, appear to be in direct contravention of fundamental principles of international law concerning the rights of peoples in non-self-governing territories. Given the primacy of the Fund's ethical mandate to avoid complicity in grave norm violations, these conduct-based risks must be given decisive weight.

Final Risk Category: 2 - High Risk

The company's conduct, particularly in Western Sahara, presents a high risk of contributing to serious violations of fundamental ethical norms. While the company's decarbonization efforts are a significant positive, they do not mitigate the direct harm and legal controversy associated with its operations in conflict zones and its pattern of conflict with indigenous communities. The issues identified are ongoing, systemic, and central to the company's renewable growth strategy, suggesting that engagement may be insufficient to alter the fundamental nature of the risk. Observation or exclusion should be strongly considered.

1. Product-Based Risk Profile: Analysis against §3 Criteria

This section provides a systematic assessment of Enel SpA's business activities against the product-based exclusion criteria detailed in §3 of the GPFG's "Guidelines for observation and exclusion of companies".[1] The analysis confirms that the company's profile does not meet the thresholds for exclusion based on its products or its involvement in the thermal coal industry.

1.1. Assessment of Prohibited Activities (§3.1)

Enel SpA is a multinational manufacturer and distributor of electricity and gas, with a strategic focus on renewable energy generation, grid modernization, and energy-related services.[2] A review of the company's business profile and product offerings confirms that it is not involved, either directly or through controlled entities, in any of the activities explicitly prohibited under §3.1 of the guidelines. Specifically, Enel does not engage in:

- The development or production of weapons that violate fundamental humanitarian principles.
- The production of tobacco or tobacco products.
- The production of cannabis for recreational purposes.

Therefore, Enel SpA is fully compliant with this section of the guidelines.

1.2. Thermal Coal Exposure: A Diminishing and Compliant Profile (§3.2)

The GPFG guidelines establish four specific quantitative thresholds for the potential observation or exclusion of power producers related to their involvement with thermal coal. A detailed analysis of Enel's financial and operational data demonstrates that the company's activities fall comfortably below all four of these thresholds. Furthermore, the company is executing a rapid and strategic phase-out of its remaining coal assets, significantly mitigating any future risk in this category.

The table below summarizes Enel's performance against the GPFG's thermal coal criteria, followed by a detailed analysis.

GPFG Criterion (§3.2)	Threshold	Enel SpA Status (Latest Data)	Source(s)	Compliance
Revenue from Thermal Coal	30%	**0.9%** (9M 2024)	[4]	**Yes**
Operations based on Thermal Coal	30%	~**5.3%** of generation (FY 2023)	[5]	**Yes**
Annual Coal Extraction	20 million tonnes	Not Applicable (Power Producer)	[6]	**Yes**
Coal Power Capacity	10,000 MW	Below threshold and declining	[7]	**Yes**

Revenue Threshold (30%): Enel's revenue derived from coal-fired generation is substantially below the 30% exclusion threshold and is on a steep downward trajectory. For the first nine months of 2024, revenues attributable to coal-fired generation accounted for just 0.9% of the Group's total revenues. This represents a significant reduction from the 4.2% recorded in the same period of 2023.[4] For the full fiscal year 2023, coal-related revenue was 3.0%, down from 4.6% in 2022.[9] This consistent and rapid decline underscores the company's strategic shift away from coal.

Operational Basis Threshold (30%): While the guidelines do not strictly define "operational basis," the percentage of electricity generated from coal serves as a robust and relevant proxy. In 2023, Enel's coal-fired plants produced approximately 11 TWh of electricity.[5] This represents a small fraction of the company's total consolidated power generation of 207 TWh for the year, equating to roughly 5.3%. This figure is significantly below the 30% operational threshold.

Absolute Production Threshold (20 million tonnes): This criterion applies to mining companies that extract thermal coal. Enel is a power producer and does not own or operate coal mines.[10] The company has actively distanced itself from coal extraction activities. In 2017, Enel sold its 10% stake in the Indonesian coal producer PT Bayan Resources, explicitly stating that the disposal was part of its decarbonization strategy and its broader asset rotation plan to fund growth in renewables.[6]

Power Capacity Threshold (10,000 MW): Enel's total installed thermal coal capacity is below the 10,000 MW threshold and is being actively and rapidly decommissioned. In Italy, the company's remaining coal plants include Torrevaldaliga Nord (1,980 MW), South Brindisi (1,980 MW), and Sulcis (490 MW), totaling less than 5,000 MW.[7] Globally, the company has pursued an aggressive closure schedule. A notable example is in Chile, where Enel became the first power company in the country to exit coal generation entirely with the closure of the Bocamina power plant in 2022, 18 years ahead of the national decarbonization target.[8] The company has a publicly stated and consistently reiterated commitment to a complete phase-out of all its coal-fired power plants by 2027.[12]

This rapid move away from coal is not merely a reaction to regulatory or ethical pressure but is deeply embedded in the company's core financial strategy. Enel's financial reports consistently link the reduction in thermal generation to a challenging market context of decreasing prices for fossil fuel-based power, while framing the expansion of renewables as a primary driver of positive revenue evolution and improved ordinary EBITDA.[15] The 2017 disposal of its minority stake in the PT Bayan coal producer was explicitly described as part of an "asset rotation strategy" where proceeds are used to finance growth in more strategic and profitable areas, such as renewable energy and grid modernization.[6] This demonstrates that Enel's decarbonization is driven by a fundamental reallocation of capital toward business lines the company identifies as having higher future value. This financial motivation suggests that the trend is robust, sustainable, and highly likely to be irreversible, reinforcing the conclusion that Enel's product-based risk profile is low and will only diminish further.

2. Conduct-Based Risk Profile: Analysis against §4

Criteria

While Enel SpA's product profile is compliant with the GPFG guidelines, its operational conduct presents significant and systematic risks that trigger multiple clauses under §4. This section details a pattern of severe controversies related to human rights, particularly concerning indigenous and local communities in conflict-affected and high-tension areas. Despite the existence of a robust formal policy framework, a persistent gap between policy and practice creates an unacceptable level of risk of contributing to grave breaches of fundamental ethical norms.

The table below provides a high-level overview of the key conduct-based issues, which are analyzed in detail in the subsequent subsections.

Region	Key Issue	Allegations	Relevant GPFG Criteria	Severity
Western Sahara	Operations in Occupied Territory	Violation of international law; failure to obtain consent from the Saharawi people.	§4a, §4b	**Severe**
Colombia	Indigenous Community Conflict	Project suspension due to protests; allegations of stoking inter-clan violence; historical links to "blood coal".	§4a, §4h	**High**
Brazil	Land Rights Disputes ("Green	Dispossession of local communities for renewable	§4a	**High**

	Grabbing")	energy projects; aggressive tactics by intermediaries.		
United States	Indigenous Mineral Rights	Illegal conversion of minerals owned by the Osage Nation for a wind project.	§4a, §4h	**Moderate**

2.1. Grave and Systematic Human Rights Violations (§4a, §4b): A Pattern of Conflict

The GPFG guidelines allow for exclusion where there is an unacceptable risk that a company contributes to "grave or systematic krenkelser av menneskerettighetene" (grave or systematic violations of human rights) or "alvorlige krenkelser av individers rettigheter i krig eller konfliktsituasjoner" (serious violations of individuals' rights in war or conflict situations).[1] Enel's operational conduct, particularly in relation to indigenous peoples and local communities, demonstrates a recurring pattern of conflict that raises serious concerns under these criteria.

2.1.1. The Western Sahara Conflict: A "Red Line" Breach of International Law

Enel's activities in Western Sahara represent the most severe conduct-based risk identified in this assessment. The company is a key partner in the development of large-scale wind farms in the territory, which has been under illegal occupation by Morocco since 1975. The core of the violation is that these projects are proceeding on the basis of agreements with the occupying power, Morocco, and its state-owned entities, without having obtained the free, prior, and informed consent of the Saharawi people, the indigenous and non-self-governing people of the territory.[17] This is widely considered a violation of their fundamental right to self-determination and to dispose of their own natural resources under international law.

The severity of this issue has been recognized by other institutional investors. In a highly relevant precedent, Norway's largest private asset manager, Storebrand, excluded Enel from its portfolios in 2021 for this exact reason. Storebrand's Head of Human Rights stated that Enel had "not carried out comprehensive human rights due diligence" and that "neither the companies nor their partners have consulted and obtained the consent of the Saharawis as required by international law." The asset manager concluded that its investments could not "contribute to a situation that can legitimize violation of international law".[17]

Enel's public response to these grave allegations has been demonstrably inadequate. The company has consistently attempted to frame the issue as a "political matter" in which it does not engage, while simultaneously asserting that its projects provide "socio-economic development" for the local population.[19] This position is untenable. Firstly, by partnering with a company owned by the King of Morocco to exploit resources on occupied land, Enel has taken a deeply political act that has been interpreted as legitimizing the occupation.[17] Secondly, the company's references to a "consultation" process with local stakeholders are legally insufficient. A landmark ruling by the EU Court of Justice in a related case determined that such consultations, often conducted with Moroccan settlers and institutions, cannot substitute for the legal requirement of obtaining the consent of the people of the territory through their UN-recognized representation, the Polisario Front.[20] Enel's failure to acknowledge or address this core legal principle demonstrates a profound and willful gap between its stated human rights commitments and its actions in a high-risk, conflict-affected area. This conduct appears to fall squarely within the scope of §4b of the GPFG guidelines.

2.1.2. Indigenous Community Conflict in Colombia: The Windpeshi Failure

The conflict in Western Sahara is not an isolated incident but part of a broader pattern of problematic engagement with indigenous communities. In Colombia, Enel was forced to permanently suspend construction of its 205MW Windpeshi wind farm in the La Guajira region in May 2023.[22] The project, one of the largest renewable schemes in the country, was halted after persistent blockades and protests from the local Wayuu indigenous community left it two years behind schedule and millions of dollars over budget.[22] The project was eventually sold to the state-owned company Ecopetrol in 2025.[24]

While Enel stated it would "continue to engage with communities" [22], the failure of Windpeshi highlights a systemic issue. Government officials and community leaders have pointed to a lack of proper institutional processes for consulting with indigenous groups in La Guajira, where dozens of renewable projects are planned.[22] More disturbingly, there are severe allegations that Enel's presence and its methods of providing financial compensation to certain groups unintentionally stoked deep-seated inter- and intra-clan tensions, leading to extortion, violence, and the forced displacement of families.[23] These are grave accusations that suggest the company's social impact management was not only ineffective but may have actively contributed to social harm.

This recent conflict occurs within a historical context of Enel's association with human rights issues in Colombia. In 2017, following pressure from NGOs, the company suspended imports of "blood coal" from the Cesar mining region, which has a long history of severe human rights violations linked to paramilitary violence at the mining operations of its suppliers, Drummond and Prodeco.[26] This history, combined with the recent failure at Windpeshi, establishes a troubling record of operations in Colombia that are linked to human rights abuses, falling under the purview of §4a and §4h ("other particularly grave breaches of fundamental ethical norms").

2.1.3. Land Rights in Brazil and the USA: The "Green Grabbing" Phenomenon

The pattern of conflict extends to other key markets. In Brazil, multiple reports and lawsuits allege that Enel, often working through local intermediary "developers," has engaged in a practice known as "green grabbing." This involves stripping local communities in the state of Bahia of their traditional lands for the construction of wind and solar farms. The process allegedly exploits residents who lack formal land titles and involves aggressive legal and social tactics to secure land access.[27] Enel denies these claims, stating that it complies with Brazilian law and only leases private properties with regular titles.[28] However, the numerous lawsuits filed by both residents against Enel's developers and by Enel against residents indicate a highly contentious and conflict-ridden process of land acquisition for its renewable projects.[29]

This pattern is also visible, albeit in a different legal context, in the United States. In 2024, a federal court ruled that Enel's subsidiary, Osage Wind LLC, was liable for conversion and trespass for illegally excavating minerals owned by the Osage Nation during the construction of an 84-turbine wind project in Oklahoma. The court ordered Enel to remove all of the turbines by December 2025.[10] This case reinforces the global pattern of conflict with indigenous peoples over land and resource rights, demonstrating that these issues persist even within a highly regulated jurisdiction.

The recurrence of these severe conflicts across multiple continents and legal systems points toward a systemic failure within Enel's governance and operational controls. The company has a comprehensive and publicly available Human Rights Policy, updated in 2021, which is aligned with the UN Guiding Principles on Business and Human Rights and explicitly commits to due diligence, stakeholder engagement, and paying "particular attention to conflict affected and high-risk contexts".[30] Yet, the evidence from Western Sahara, Colombia, Brazil, and the United

States demonstrates a consistent and profound failure to implement these principles effectively. The company's due diligence processes appear insufficient to identify and prevent severe negative impacts on vulnerable communities, and its stakeholder engagement model repeatedly results in conflict and legal challenges rather than consent and shared value. This is not merely a lack of policy, but a critical failure of implementation. For an investor, this "policy-practice gap" indicates a significant governance risk, suggesting that the company's formal ESG commitments are not reliable indicators of its actual conduct or future performance.

2.2. Environmental Record and GHG Emissions (§4e, §4f): A Nuanced Picture

Enel's performance on environmental criteria presents a more nuanced, and largely positive, picture. The guidelines allow for exclusion based on "alvorlig miljøskade" (serious environmental damage) or actions that lead to "uakseptabel grad" (unacceptable degree) of greenhouse gas (GHG) emissions.[1]

Enel is widely recognized as a corporate leader in the global energy transition. The company has set an ambitious target to achieve net-zero emissions across its entire value chain by 2040, a decade ahead of the standard 2050 goal adopted by many of its peers.[12] This commitment is backed by a clear decarbonization roadmap and specific, short-, medium-, and long-term GHG reduction targets that have been validated by the Science Based Targets initiative (SBTi) as being aligned with a 1.5°C warming pathway.[12] Its progress and disclosure have been positively assessed by the Climate Action 100+ initiative, which found the company to be highly aligned with its Net-Zero Company Benchmark.[32] This strong, forward-looking strategy is a significant positive factor and suggests the company does not pose an unacceptable risk regarding its GHG emissions trajectory.

However, two points of concern temper this positive assessment. First, a key element of Enel's coal phase-out strategy involves converting some decommissioned plants to burn natural gas, such as the plan for the Federico II plant in Italy.[35] Environmental groups and energy experts have criticized this approach, arguing that it merely swaps one fossil fuel for another and locks in carbon emissions for decades, thereby contradicting the spirit of a true net-zero transition.[35] While this does not currently constitute an "unacceptable" level of emissions under the GPFG's framework, it represents a future financial and reputational risk and is a point of contention that slightly undermines its otherwise strong green credentials.

Second, the very actions Enel is taking to address climate risk are, in some cases, creating other forms of harm. The company's aggressive and necessary pursuit of renewable energy capacity is the direct driver of the land and community conflicts detailed in the previous section. The need for vast tracts of land for wind and solar farms has led to the allegations of "green grabbing" in Brazil and the project-derailing conflicts with the Wayuu in Colombia. This reveals a fundamental paradox in the company's sustainability strategy: the actions taken to mitigate one major ESG risk (climate change, §4f) are directly exacerbating another (human rights, §4a). This indicates that Enel's approach to sustainability is not yet fully integrated. An investor focused on a holistic ethical mandate cannot praise the company's climate action without critically scrutinizing the social cost at which that action is being achieved. The imperative for a "just transition," a principle Enel itself espouses [33], appears to be compromised by these operational failures.

2.3. Governance and Economic Crime Risk (§4g): Low Risk

The GPFG guidelines reserve exclusion under this criterion for "grov korrupsjon eller annen grov økonomisk kriminalitet" (gross corruption or other gross economic crime).[1] The available evidence suggests that Enel's risk in this category is low.

The company has a robust and well-documented anti-corruption and anti-bribery framework. This includes a "Zero Tolerance of Corruption Plan," a detailed Code of Ethics, and an Anti-Bribery Management System that is certified to the international ISO 37001 standard.[36] These formal governance structures indicate a high level of commitment to preventing corruption.

A review of the company's history reveals some minor and dated allegations. In 2011, reports surfaced of accusations of "sharp practice" and demands for illicit payments to facilitate the connection of renewable energy plants to the national grid in Italy.[39] However, there is no evidence to suggest that these issues were systemic or that they have persisted. The research did not uncover any recent, major investigations or findings of gross corruption involving the company. Therefore, Enel does not appear to present an unacceptable risk under §4g.

3. Geopolitical Risk Exposure and Strategic Repositioning

This section evaluates Enel's operational footprint in politically sensitive and conflict-affected regions. The analysis reveals an inconsistent approach to geopolitical risk management, with the company demonstrating a capacity for decisive de-risking in one context while maintaining a high-risk presence in another.

3.1. Mitigated Exposure: Decisive and Complete Exit from Russia

In response to the full-scale invasion of Ukraine in 2022, Enel undertook a rapid and complete divestment of its Russian assets. The company signed agreements in June 2022 and finalized the sale of its entire 56.43% stake in its local division, PJSC Enel Russia, to the Russian energy company PJSC Lukoil and the private fund Gazprombank-Frezia in October 2022.[40]

The disposed assets were substantial, including approximately 5.6 GW of conventional thermal power capacity and around 300 MW of wind capacity at various stages of development.[42] This transaction effectively eliminated the company's direct operational, financial, and reputational exposure to the Russia-Ukraine conflict. The move was a significant and positive de-risking action that demonstrated the company's ability to make decisive strategic shifts in response to acute geopolitical crises.

3.2. Material Exposure: Continued Operations in Conflict and High-Tension Zones

Despite its exit from Russia, Enel maintains a significant and high-risk presence in other politically sensitive regions.

Western Sahara: As detailed extensively in section 2.1.1, Enel's operations in occupied Western Sahara represent its most significant and problematic geopolitical risk. By developing large-scale energy infrastructure on occupied land under agreements with the occupying power, Morocco, and in partnership with a company owned by the Moroccan king [17], Enel has positioned itself at the center of a long-standing international conflict. This is not a passive risk; critics and Sahrawi representatives argue that the company's activities actively serve to entrench and legitimize the Moroccan occupation, thereby undermining the UN-led peace process.[21] This direct involvement in a territory with a disputed legal status, where the rights of the local population are being violated, constitutes a material and ongoing geopolitical and ethical liability.

Latin America: While the operational environments in countries like Colombia and Brazil are not "armed conflicts" in the same vein as the situation in Ukraine, they have proven to be high-tension zones where Enel has faced significant challenges. The complete failure and subsequent sale of the Windpeshi project in Colombia, derailed by intractable community opposition, demonstrates the material financial and reputational risks of operating in areas with unresolved indigenous land rights and weak state governance.[22] Similarly, the "green grabbing" allegations and numerous lawsuits in Brazil highlight the risks associated with a land-intensive renewable energy strategy in regions with complex social dynamics.[28] Furthermore, operational failures have led to significant public and governmental backlash, including a $19 million fine in Chile for prolonged power outages and criticism from the governor of São Paulo in Brazil over blackouts.[45]

The company's divergent strategies in Russia and Western Sahara reveal a critical inconsistency in its approach to geopolitical risk. The decisive exit from Russia was clearly prompted by the extreme circumstances of a full-scale war and the subsequent, comprehensive international sanctions regime, which made continued operations practically and reputationally untenable for a major Western company. In contrast, the situation in Western Sahara, while constituting a clear violation of international law in the view of many legal experts and investors, is a lower-intensity, "frozen" conflict that is not subject to a comparable sanctions regime. Enel's decision to remain and expand its operations there suggests that its geopolitical risk framework is driven more by the intensity of external pressures like sanctions and overt warfare, rather than by a proactive and consistent application of ethical principles and international law across all conflict-affected and high-risk areas. This inconsistency represents a significant governance concern for an investor with a consistent ethical mandate.

4. Synthesis and Final Risk Categorization

This final section synthesizes the preceding analysis, weighing the positive elements of Enel SpA's profile against the severe negative findings to arrive at a definitive risk categorization and recommendation for the Government Pension Fund Global.

4.1. A Contradictory Profile: Weighing Climate Leadership Against Human Rights Failures

The comprehensive assessment of Enel SpA reveals a company with a starkly contradictory profile. On one hand, Enel is an undisputed corporate leader in the global energy transition. Its aggressive, financially-motivated decarbonization strategy, its ambitious 2040 net-zero target, and its imminent 2027 coal phase-out plan are commendable and align well with the

GPFG's long-term objectives regarding climate risk. On product-based criteria alone, the company is not only compliant but is an exemplary case of a large utility managing a successful transition away from fossil fuels.

On the other hand, the company is deeply embroiled in severe and apparently systematic human rights controversies. Its operations in occupied Western Sahara represent a potential breach of fundamental principles of international law and align directly with the GPFG's conduct-based exclusion criteria for activities in conflict zones (§4b). This is not a legacy issue but an ongoing and core part of its renewable growth strategy. Furthermore, the recurring pattern of conflict with indigenous and local communities across its operations in Latin America and the United States suggests a deep-seated, systemic failure to translate its own corporate human rights policies into effective and respectful operational practice.

The central question for the Fund is whether Enel's positive contributions to climate change mitigation can offset or excuse the unacceptable risk of its contribution to grave human rights violations. The Fund's foundational purpose, as stated in §1 of the guidelines, is "to avoid that the fund is invested in companies that cause or contribute to serious violations of fundamental ethical norms".[1] Given the primacy of this ethical mandate, the severe and ongoing conduct-based risks must be given greater weight in the final assessment than the company's positive environmental performance.

4.2. Final Recommendation and Justification

Final Risk Category: 2 - High Risk

Justification: The recommendation of a "High Risk" categorization is based on the severity, systematic nature, and lack of adequate remedy for the human rights violations identified in this report. The company's conduct presents an unacceptable risk that the Fund, through its investment, would be associated with contributing to serious breaches of fundamental ethical norms.

The primary driver for this assessment is the company's operations in occupied Western Sahara. This issue is not a marginal or historical one; it is an active, strategic investment in a conflict zone that appears to violate the fundamental right to self-determination of the Saharawi people. The company's response to date has been dismissive and has failed to address the core legal principle of consent, indicating a low probability of change. The precedent set by Storebrand's exclusion on these same grounds reinforces the materiality of this risk from a Norwegian institutional investor perspective.

While the GPFG guidelines state that Norges Bank may consider engagement as an alternative to exclusion (§6.5) [1], the fundamental nature of the breach in Western Sahara—operating on occupied land without the consent of the people of the territory—may be considered a non-negotiable "red line." In such cases, the risk of continued norm-breaking is unacceptably high, making exclusion the more appropriate and effective tool to uphold the Fund's ethical mandate. The broader pattern of similar, albeit less legally definitive, issues in Colombia, Brazil, and the United States strengthens the case that these are not isolated errors but symptoms of a systemic governance problem that may not be easily resolved through dialogue alone. Therefore, placing the company under observation with a view to exclusion is the recommended course of action.

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