

UNOFFICIAL ENGLISH TRANSLATION

To Norges Bank

Date: 30 May 2018

**Recommendation to revoke the exclusion of Kosmos Energy Inc. and
Cairn Energy Plc. from investment by the Government Pension Fund Global**

1 Summary

Kosmos Energy Ltd. (Kosmos) and Cairn Energy Plc. (Cairn) were excluded from the Government Pension Fund Global (GPFG) in 2016 due to the companies' petroleum prospecting activities off the coast of Western Sahara. Since the activities on which the exclusion was based have ceased, the Council on Ethics recommends that the companies' exclusion be revoked.

2 Background

The Council on Ethics for the GPFG recommended to Norges Bank on 8 February 2016 that Kosmos and Cairn be excluded from the GPFG due to an unacceptable risk that the companies were contributing to serious violations of fundamental ethical norms by prospecting for petroleum off the coast of Western Sahara.

In 2006, Kosmos signed an agreement with the Moroccan state oil company ONHYM with respect to oil exploration in the *Cap Boujdour* field off Western Sahara. In 2011, the agreement was renewed. In 2013, Kosmos entered into a joint venture with Cairn to develop the field, with Kosmos as operator and owner of 55 per cent of the licence. Cairn owned 20 per cent, while ONHYM owned the remainder. Seismic surveys were carried out in 2013–2014, followed by test drilling.

Western Sahara is a non-self-governing territory without a recognised administrator. The Council on Ethics rested its assessment on the UN Convention on the Law of the Sea, the UN Charter's Article 73 on non-self-governing territories and other sources of law which interpreted the UN Charter's provisions. The prospecting for and exploitation of natural resources in such areas may be acceptable under international law if it takes place in accordance with the local population's wishes and interests. In the opinion of the Council on Ethics, this provision could not be said to have been met in this case, and a recommendation to exclude the companies from investment by the GPFG was therefore issued. Norges Bank accepted the Council's recommendation and published its decision to exclude the companies on 28 June 2016.

Section 5(5) of the Guidelines for the Observation and Exclusion of Companies from the GPFG states that:

«The Council on Ethics shall regularly assess whether the basis for observation or exclusion still exists. In light of new information, the Council on Ethics may recommend that the Bank revoke an observation or exclusion decision.»

3 Information provided by the companies

Kosmos and Cairn have now terminated the exploration agreement with the Moroccan authorities and have closed down their operations in the area.

In its annual report to the US supervisory authorities (10-K filing to the SEC) Kosmos writes:

«In November 2017, Kosmos provided to our co-venturers a notice of withdrawal from Boujdour Maritime and transferred its participating interest and operatorship to ONHYM. Certain transition services are being provided to

ONHYM as part of the handover of operatorship. In order to complete our obligations under the petroleum contract, we will continue to fund the remainder of the current seismic program.»¹

Kosmos has made it clear to the Council on Ethics that the exploration licence has been returned to the Moroccan authorities, that Kosmos has ceased its exploration activities and that the company has no physical presence in the area, although it may be required to assist the Moroccan authorities in connection with the completion of exploration activities, as part of its obligations during a transition phase. Cairn has made it clear that it no longer has any involvement in exploration activities in the area concerned.

4 The Council on Ethics' assessment

The exclusion of the companies was linked to their exploration activities off the coast of Western Sahara on behalf of the Moroccan authorities. Now that the companies are no longer involved in these activities, there are no grounds to uphold the exclusion. Kosmos' limited engagement in a transition phase does not, in the Council's opinion, itself constitute grounds for exclusion.

5 Recommendation

The Council on Ethics recommends that the exclusion of Kosmos Energy Ltd. and Cairn Energy Plc. from the Government Pension Fund Global (GPF) be revoked.

Johan H. Andresen Chair	Hans Christian Bugge	Cecilie Hellestveit	Trude Myklebust	Brit K. S. Rugland
(Sign.)	(Sign.)	(Sign.)	(Sign.)	(Sign.)

¹ Kosmos Energy Inc, 2017 Annual Report, 10-K:
<http://investors.kosmosenergy.com/static-files/327b1382-190f-45dc-8cae-49aa3edadf25>.