

**To Norges Bank**

14 January 2020

UNOFFICIAL ENGLISH TRANSLATION

**Recommendation to exclude Hangzhou Hikvision Digital Technology Co  
Ltd from investment by the Government Pension Fund Global**

## Summary

The Council on Ethics recommends that Hangzhou Hikvision Digital Technology Co Ltd be excluded from investment by the Government Pension Fund Global (GPF) due to an unacceptable risk that the company is contributing to serious human rights violations.

Hikvision is a global Chinese technology company that provides products and services in the field of surveillance technology. This recommendation concerns Hikvision's role in the mass surveillance in the Xinjiang region of China.

The inhabitants of Xinjiang, in particular the ethnic minority Uighurs and other Muslim minorities, are subject to extensive surveillance, which can lead to arbitrary detention in internment camps. The detainees are isolated from their families and do not know when they will be released. The detainees are also subjected to indoctrination, and there have been reports of psychological and physical abuse. It is estimated that at least 800,000 people from Muslim minority groups are detained in these camps.

In 2017, Hikvision entered into five public-private partnerships with the authorities in Xinjiang, worth a combined total of approximately CNY 1.86 billion. The projects involve the production, installation, operation and maintenance of surveillance systems. The company confirmed the projects in its half-year report for 2019. The Council finds that the company, through its participation in these projects, facilitates serious human rights abuse.

The company has not provided specific information about what it is doing to avoid participating in ongoing human rights abuses in Xinjiang. The Council attaches importance to the fact that the company has undertaken to operate and maintain the projects for periods ranging from 11 to 21 years. The Council therefore finds that there is an unacceptable risk that the company will continue to contribute to human rights abuse in the future.

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# 1 Introduction

The Council on Ethics has assessed the investments made by the Government Pension Fund Global (GPF) in Hangzhou Hikvision Digital Technology Co Ltd (Hikvision)<sup>1</sup> against the Guidelines for Observation and Exclusion of Companies from the GPF (the ethical guidelines).<sup>2</sup> The Council's assessment focuses on Hikvision's role in the mass surveillance of people in the Xinjiang region of China.

Hikvision is a Chinese technology company with global operations. It provides video surveillance products and customised solutions, including research, design, development, testing, technical support and service.<sup>3</sup> The Chinese state-owned company China Electronics Technology Group Corporation (CETC) owns 41.6 per cent of Hikvision's shares.<sup>4</sup>

At the end of 2018, the GPF owned 0.32 per cent of Hikvision's shares, worth approximately NOK 954 million. Hikvision is listed on the Shenzhen Stock Exchange.

## 1.1 Matters considered by the Council

The Council on Ethics has assessed the GPF's investment in Hikvision against section 3(a) of the ethical guidelines, which states that companies "may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for (...) serious or systematic human rights violations".

The Council bases its assessment on internationally recognised conventions and authoritative interpretations thereof. In this recommendation, the Council rests its assessment largely on the International Covenant on Civil and Political Rights, as well as the International Convention on the Elimination of All Forms of Racial Discrimination. Furthermore, the Council finds guidance in the UN Guiding Principles on Business and Human Rights.<sup>5</sup>

The Council has assessed the severity of the human rights abuse, the connection between the company and the abuse, and the risk of such abuse occurring in the future. In its assessment of the severity of the human rights abuse, the Council considers its scope, its consequences and the extent to which it is possible to remedy these consequences. The Council also attaches importance to the extent to which particularly vulnerable groups are affected.

Although international human rights conventions bind states and not companies, companies can be said to cause or contribute to the human rights abuse. The Council on Ethics takes no position on the extent to which the state is responsible for any human rights abuses that may occur. It is sufficient to establish that the company in question acts in a way that contributes to serious or systematic violation of internationally recognised human rights.

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<sup>1</sup> Issuer ID: 17478485

<sup>2</sup> Guidelines for Observation and Exclusion of Companies from the Government Pension Fund Global. Adopted by the Ministry of Finance on 18 December 2014: <http://etikkradet.no/mandat/>. English language version: <https://nettsteder.regjeringen.no/etikkradet3/files/2019/12/guidelines-for-observation-and-exclusion-from-the-gpf-01.09.2019.pdf>

<sup>3</sup> Hikvision, Company Profile <https://www.hikvision.com/europe/Corporate/Company-Profile>

<sup>4</sup> Hikvision, *Annual Report for 2018*

<https://www.hikvision.com/content/dam/hikvision/en/brochures/hikvision-financial-report/Hikvision%202018%20Annual%20Report.pdf>

<sup>5</sup> OHCHR, UN Guiding Principles on Business and Human Rights, 2011

[https://www.ohchr.org/documents/publications/GuidingprinciplesBusinesshr\\_eN.pdf](https://www.ohchr.org/documents/publications/GuidingprinciplesBusinesshr_eN.pdf)

To establish a company's contribution to human rights abuse, there must be a connection between the company's operations and the abuse in question, and the company must actively have contributed to the abuse or been aware of it without attempting to prevent it.

Finally, the abuse must be ongoing, or there must be an unacceptable risk that abuse may occur in the future. When considering the risk of new human rights abuses, previous acts or omissions may give an indication of future patterns of behaviour. Furthermore, the Council attaches importance to what the company is doing to prevent abuse. In this regard, the Council will consider the company's human rights policy, with particular emphasis on how it is implemented in practice, for example through human rights due diligence, management systems and operational level guidelines.

## 1.2 Human rights standards

In assessing Hikvision's operations in Xinjiang, the Council has focused on the right to privacy, religious freedom and the right to liberty and security. The Council has also considered discrimination based on ethnicity and religion.

The right to privacy is enshrined in Article 17 of the Convention on Civil and Political Rights (CCPR). According to the UN High Commissioner for Human Rights (OHCHR), the right to privacy plays a key role for the realisation of a broad spectrum of human rights, including the right to freedom of movement, freedom of expression, as well as the right to freedom of thought, conscience and religion.<sup>6</sup> The High Commissioner highlights that interference with the right to privacy can have a disproportionate impact on certain individuals and groups, thus intensifying inequality and discrimination.

The right to religious freedom follows from Article 18 of the CCPR. The right includes freedom to have a religion or belief of choice, and freedom to manifest this religion in public. No one shall be subject to coercion which would restrict this freedom.

The right to liberty and security of person follows from CCPR Article 9 and includes the right not to be subjected to arbitrary arrest or detention. In its General Comment No. 35 on Article 9, the UN Human Rights Committee states: "Arrest or detention as punishment for the legitimate exercise of the rights as guaranteed by the Covenant is arbitrary, including freedom of opinion and expression (art. 19), freedom of assembly (art. 21), freedom of association (art. 22), freedom of religion (art. 18) and the right to privacy (art. 17)."<sup>7</sup>

It follows from CCPR Article 2 that the Convention must be respected without discrimination of any kind, e.g. discrimination based on race and religion. Furthermore, according to Article 1 of the UN Convention on the Elimination of All Forms of Racial Discrimination (CERD), any restriction based on ethnic origin, which has the purpose or effect of impairing the enjoyment or exercise of human rights, constitutes racial discrimination.

## 1.3 Sources

In this case, the Council on Ethics has made use of publicly available sources, including news media, government and UN bodies, as well as public procurement information and research carried out by IP Video Market Info Inc (IPVM). IPVM is a surveillance video research

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<sup>6</sup> Annual report of the United Nations High Commissioner for Human Rights, The right to privacy in the digital age, 2018 <https://undocs.org/A/HRC/39/29>

<sup>7</sup> Human Rights Committee, General Comment No. 35, Article 9 (Liberty and security of person), 2014 <https://undocs.org/CCPR/C/GC/35>.

company, which has carried out extensive investigations into Hikvision's operations in Xinjiang.

The Council has also gained access to procurement information about surveillance projects in Xinjiang which is no longer publicly available.

## 2 Background

Xinjiang is an autonomous region in north-western China with about 23 million inhabitants, of which 40 per cent are Han Chinese. About 40 percent of the population are Uighurs, a Muslim minority group originating in Central and East Asia. The region has a long history of discord between the authorities and the ethnic Uighur population. Over the last years, the Chinese government has increased security measures in Xinjiang.<sup>8</sup> These security measures include mass surveillance of Uighurs and other Muslim minorities in the region.<sup>9</sup> Surveillance includes widespread use of cameras and security checkpoints, including security controls at the entrances to shopping malls, train stations and hotels.<sup>10</sup> The information collected from the surveillance is used to identify people to be sent to detention camps and to monitor them once they are released.<sup>11</sup>

In parallel with the expansion in surveillance, the Chinese government has established an extensive network of detention camps in Xinjiang. At least 800,000 people from Muslim minority groups in the region are being held in such camps.<sup>12</sup> Government officials have described the camps as vocational education and training centres, aimed at combating terrorism, separatism, and extremism.<sup>13</sup> However, the detainees are held involuntarily, and there have been reports of political indoctrination as well as psychological and physical abuse.<sup>14</sup>

Over the past year, the mass surveillance and detention camps have received massive news coverage,<sup>15</sup> as well as strong criticism from international human rights organisations.<sup>16</sup> In September 2018, the Committee on the Elimination of Racial Discrimination published a

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<sup>8</sup> Landinfo, Re-education camps in Xinjiang, 2019 <https://landinfo.no/wp-content/uploads/2019/06/Kina-temanotat-Omskoleringsleirane-i-Xinjiang-16052019.pdf>.

<sup>9</sup> New York Times, How China Uses High-Tech Surveillance to Subdue Minorities, 22 May 2019 <https://www.nytimes.com/2019/05/22/world/asia/china-surveillance-xinjiang.html?auth=login-google&login=google>.

<sup>10</sup> Landinfo, 2019.

<sup>11</sup> New York Times, 2019

<sup>12</sup> BBC, China's hidden camps, 24 October 2018 [https://www.bbc.co.uk/news/resources/idt-sh/China\\_hidden\\_camps](https://www.bbc.co.uk/news/resources/idt-sh/China_hidden_camps) and The Guardian, *China 'holding at least 120,000 Uighurs in re-education camps'*, 25 January 2018 <https://www.theguardian.com/world/2018/jan/25/at-least-120000-muslim-uighurs-held-in-chinese-re-education-camps-report>

<sup>13</sup> Landinfo, 2019.

<sup>14</sup> Landinfo, 2019.

<sup>15</sup> See, for example, New York Times <https://www.nytimes.com/search?query=xinjiang> and The Guardian <https://www.theguardian.com/world/xinjiang>.

<sup>16</sup> See, for example, Amnesty International, <https://www.amnesty.org/en/latest/news/2018/09/china-xinjiang-families-of-up-to-one-million-detained-demand-answers/> and Human Rights Watch <https://www.hrw.org/report/2018/09/09/eradicating-ideological-viruses/chinas-campaign-repression-against-xinjiangs>.

report in which it voiced serious concern about claims that ethnic Uighurs and other Muslim minorities were being held without trial for long periods of time.<sup>17</sup>

In a letter sent to the President of the Human Rights Council in July 2019, 22 signatory states express concern about “credible reports of arbitrary detention” in Xinjiang and “widespread surveillance and restrictions” targeting Uighurs and other minorities. The signatories call on China to “refrain from the arbitrary detention and restrictions on freedom of movement of Uighurs, and other Muslim and minority communities in Xinjiang.”<sup>18</sup>

In October 2019, eight companies, including Hikvision, were sanctioned by the US government for their role in the surveillance of Uighurs and other minorities in Xinjiang. According to the decision by the US Bureau of Industry and Security, the companies are implicated in human rights violations, including repression, arbitrary mass detention, and the surveillance of Muslim minority groups in the region.<sup>19</sup>

### 3 The Council on Ethics’ findings

In 2017, Hikvision signed public-private partnership (PPP) contracts with the authorities in Xinjiang worth a combined total of CNY 1.86 billion.<sup>20</sup> The amount was spread out across five different projects worth between CNY 300 and 500 million each. Hikvision confirmed these projects in its half-year report for 2019.<sup>21</sup>

The projects are:

- Moyu Security Protection and Prevention Control System
- Yutian Safe City
- Pishan Security Protection and Prevention Control System
- Luopu Security Protection and Prevention Control System
- Urumqi High-Tech Zone (New Urban Area) Safe City & Surveillance System for Social Comprehensive Management

Four of the projects, Moyu, Yutian, Pishan and Luopu, all located in the Hotan Prefecture, are listed in a prefectural overview of PPPs from 2017.<sup>22</sup> The overview includes budgets and the proposed contract period for each of the projects, ranging from 11 to 21 years. The contract period includes the construction period as well as a period of operation and maintenance.

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<sup>17</sup> Committee on the Elimination of Racial Discrimination, Concluding observations on the combined fourteenth to seventeenth periodic reports of China, 19 September 2018 <https://undocs.org/en/CERD/C/CHN/CO/14-17>.

<sup>18</sup> Letter dated 8 July 2019 from the Permanent Representatives of Australia, Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Japan, Latvia, Lithuania, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland to the United Nations Office at Geneva addressed to the President of the Human Rights Council, A/HRC/41/G/11, [https://ap.ohchr.org/Documents/sdpage\\_e.aspx?b=10&se=204&t=2](https://ap.ohchr.org/Documents/sdpage_e.aspx?b=10&se=204&t=2).

<sup>19</sup> US Federal Register, Addition of Certain Entities to the Entity List, A Rule by the Industry and Security Bureau on 10 September 2019 <https://www.federalregister.gov/documents/2019/10/09/2019-22210/addition-of-certain-entities-to-the-entity-list>.

<sup>20</sup> ITS114 (procurement information in Chinese) Annual Review of 2017, [http://www.its114.com/html/siteidea/project/2018\\_01\\_91819.html](http://www.its114.com/html/siteidea/project/2018_01_91819.html).

<sup>21</sup> Hikvision, Half-Year Report 2019 <https://oversea-download.hikvision.com/uploadfile/Investment%20Relationship/Hikvision%202019%20Half%20Year%20Report.pdf>.

<sup>22</sup> Situation table for Hotan PPP projects, 2017 (in Chinese) <https://www.xjht.gov.cn/article/show.php?itemid=263214>.

Upon expiration of the contract period, the company will transfer the project assets to the authorities without compensation.

The Council has gained access to detailed information about the Moyu project, which includes a network of around 35,000 cameras to monitor schools, streets and offices. The project also includes the installation of facial recognition cameras at 967 mosques in the area.<sup>23</sup> In addition, the Moyu project covers video conference systems at mosques. The purpose of the video conferencing systems is reportedly to transmit sermons from a public body responsible for relations between the central government and ethnic minorities in China.<sup>24</sup>

The Luopu project tender requires the company to provide various products and services for communication, security and surveillance.<sup>25</sup> The Yutian and Pishan projects include similar requirements, in addition to video surveillance and video conferencing systems for mosques.<sup>26</sup>

The Pishan and Moyu projects also include surveillance systems for detention camps.<sup>27</sup> The Pishan tender includes a surveillance system for *transformation through education centres*, a description commonly used to describe the detention camps.<sup>28</sup>

In addition to the projects in Hotan, Hikvision won the tender for a large project in Xinjiang's regional capital, Urumqi, called the Urumqi High-Tech Zone. On its website, the company discloses that it will provide 30,000 cameras covering the streets of the city.<sup>29</sup> According to the tender, the project also includes video analytics hubs, intelligent monitoring systems, big data centres, police checkpoints and drones.<sup>30</sup> The total value of the contract is estimated at CNY 500 million. Hikvision will be responsible for operation and maintenance for a period of ten years.

## 4 Information from the company

In September 2019, the Council sent a letter to Hikvision with a number of questions regarding the company's surveillance operations in Xinjiang. The company did not respond to the Council's specific questions, but explained that it had engaged an American human rights

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<sup>23</sup> The information is not publicly available, but is referred to by AFP, Chinese firms cash in on Xinjiang's growing police state, 28 July 2018 <https://www.afp.com/en/chinese-firms-cash-xinjiangs-growing-police-state> and IPVM, *Hikvision Wins Chinese Government Forced Facial Recognition Project Across 967 Mosques*, 16 July 2018 <https://ipvm.com/reports/hik-mosques>.

<sup>24</sup> IPVM, 16 July 2018 <https://ipvm.com/reports/hik-mosques>.

<sup>25</sup> Chinappp.cn (procurement information in Chinese), Loupo Security Protection and Prevention Control System, no longer available on this website.

<sup>26</sup> Bidchance.com (procurement info in Chinese), Yutian Safe City <http://www.bidchance.com/info.do?channel=calgg&id=22860984> and Pishan Security Protection and Prevention Control System, <https://perma.cc/FB7D-8URQ> (permanent link).

<sup>27</sup> IPVM, Evidence Of Hikvision's Involvement With Xinjiang IJOP And Re-Education Camps, 2 October 2018 <https://ipvm.com/reports/hikvision-xinjiang> and AFP Chinese firms cash in on Xinjiang's growing police state, 28 July 2018 <https://www.afp.com/en/chinese-firms-cash-xinjiangs-growing-police-state>.

<sup>28</sup> Bidchance.com (procurement information in Chinese), Pishan Security Protection and Prevention Control System, <https://perma.cc/FB7D-8URQ> (permanent link). This information about the Moyu project is no longer available online.

<sup>29</sup> Hikvision, <http://www.cctvhkws.com/xwdt/dljd/295.html> and [http://www1.hikvision.com/cn/news\\_detail\\_63\\_i2394.html](http://www1.hikvision.com/cn/news_detail_63_i2394.html).

<sup>30</sup> UHDZ.gov, Urumqi High-Tech Zone (New Urban Area) Safe City & Surveillance System for Social Comprehensive Management, <http://www.uhdz.gov.cn/info/1011/17591.htm>.



lawyer to carry out an independent investigation of the company's compliance policies and procedures, internal control system, corporate structure and the five Xinjiang projects.

According to the company, the investigation did not find any evidence that Hikvision entered into the projects with intent to violate any laws, nor evidence that it knowingly played an active role in any alleged abuses. The investigation did, however, identify several deficiencies and weaknesses of the company's compliance regime and corporate structure, and gave the members of the board and management team recommendations for improvement. The company's senior management team has begun to implement these recommendations.

In Hikvision's 2018 ESG report, the company states that it respects the human rights as set forth in various UN conventions, including the International Covenant on Civil and Political Rights.<sup>31</sup> In an investor call in May 2019, the company stated that different countries and regions interpret human rights in different ways, and that the company "needs to obey laws and regulations in Eastern countries like China and respect their views on human rights".<sup>32</sup>

In November 2019, the Council sent Hikvision a draft recommendation to exclude it from investment by the GPF. In its reply, the company emphasised that the US sanctions are politically motivated. The company also declared the notion that Hikvision knew what was going on in the detention camps to be a misunderstanding. Hikvision was also critical of the emphasis the Council has placed on reports from "outside news and media".

## 5 The Council on Ethics' assessment

The Council has assessed whether there is an unacceptable risk that Hikvision, through its operations in Xinjiang, is contributing to serious human rights abuses.

The mass surveillance in Xinjiang and its consequences for the region's ethnic minorities are well documented. The Council considers that despite the legitimate objective of combatting extremism, this surveillance constitutes serious interference with the right to privacy for a large number of people. The surveillance also has a strong discriminatory aspect because it specifically targets ethnic and religious minorities who are already particularly vulnerable to human rights abuse.

The surveillance enables the authorities to gather information about otherwise legitimate religious activities, and this puts ethnic minorities at risk of arbitrary detention in camps where they are isolated from their families without knowing when they will be released. There have also been reports of political indoctrination as well as physical and psychological abuse.

Hikvision has confirmed that the company is participating in several large projects that include the manufacturing, installation and operation of surveillance systems for the authorities in Xinjiang. The projects include surveillance systems in mosques and detention camps. The Council rests on the understanding that the company was aware of the purpose for which its technology was to be used. The Council therefore finds that the company has facilitated serious human rights abuses through its participation in the aforementioned projects.

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<sup>31</sup> Hikvision, ESG Report, 2018 <https://overseas-download.hikvision.com/uploadfile/Investment%20Relationship/ESG%20Report/Hikvision%202018%20ESG%20Report.pdf>.

<sup>32</sup> IPVM, Hikvision: In China, We Obey PRC Human Rights Law, 28 May 2019 <https://ipvm.com/reports/hikvision-human-rights>

In its communication with the Council, Hikvision has emphasised that it did not enter into the projects with *the intent* of any wrongdoing. In this regard, the Council would like to point out that a company's intent is not determinative for the Council's assessment of whether it has contributed to human rights abuse. The company has further explained that it is currently carrying out an internal investigation, but has so far not provided any information about what it is doing to avoid contributing to or to remedy such human rights abuses.

In the present case, the Council finds human rights abuses to be ongoing. The Council attaches importance to the fact that the company is committed to operating and maintaining the projects for periods of between 11 and 21 years. The Council therefore concludes that there is an unacceptable risk that the company is contributing to human rights abuse.

## 6 Recommendation

The Council on Ethics recommends that Hangzhou Hikvision Digital Technology Co Ltd be excluded from investment by the Government Pension Fund Global (GPF) due to an unacceptable risk that the company is contributing to serious human rights abuse.

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