

Mr Tangen, CEO,
Norges Investment Bank
3 Old Burlington Street
London, W1S 3AE

Friday, January 14, 2022

Dear Mr. Tangen,

We are writing to you on behalf of the UK Cladding Action Group, End Our Cladding Scandal, Grenfell United, Action for Fire Safety Justice, the National Leasehold Campaign, the Leasehold Knowledge Partnership, and Sir Peter Bottomley, MP, Father of the UK House of Commons.

We are aware that Norges Bank Investment Management, Norway's state pension fund, is a major shareholder in several firms that are directly linked to the tragic and entirely avoidable fire at Grenfell Tower (West London) and to the current UK fire safety defect scandal. By way of a very brief background, the Grenfell Tower fire occurred in June 2017. It was the worst structural fire in almost 40 years; 72 lives were lost and a further 70 were injured with devastating and as yet unresolved consequences for the Grenfell community. The fire burned for over 60 hours, involved more than 250 firefighters and necessitated 100 ambulance crews. The resulting re-evaluation of regulations and national rollout of widespread external wall surveys have exposed a UK-wide fire safety defect crisis. This crisis has meant that at least 3,000,000 leaseholders are trapped in flammable flats they cannot sell, they are financing interim fire safety costs that they cannot afford to pay, and facing repossession/forfeiture over life-changing bills to make homes safe. This, in turn, has led to a burgeoning mental health crisis. Further detail as to these events, the repercussions and international media support is provided in Appendix I attached to this letter.

The manufacturers whose combustible products have been implicated in the Grenfell tragedy (as exposed in the ongoing Grenfell Inquiry) and in the current fire safety defect crisis, and in which Norges Bank Investment Management is a major shareholder, are: Arconic, Kingspan and Saint Gobain. In addition, Norges Bank is a major shareholder in the following major developers who have not agreed to cover the costs to remediate the buildings they constructed in violation of existing safety regulations: Barratt, Bellway, Berkeley, Crest Nicholson, LendLease, Persimmon, Taylor Wimpey and Vistry. More details are provided in Appendix II to this letter.

In line with Norges Bank stated commitment to Human Rights and anti-corruption, as well as Norway's role as a respected world leader in the promotion of human rights, we write to you to request that Norges Bank leverage its position as major shareholder to (1) have the aforementioned firms resolve the buildings' fire safety defects and fully compensate the victims of the Grenfell Tragedy; and (2) divest its holdings in these firms if they fail to do so.

Representatives of the campaign groups would be very happy to speak with you further about this issue, as we are very concerned about the ongoing threat to the lives and

livelihoods of the people we represent. Please send your earliest availability to email:
endourcladdingscandal@gmail.com

Sincerely,

End Our Cladding Scandal

Grenfell United

UK Cladding Action Group

Leasehold Knowledge Partnership

National Leasehold Campaign

Action for Fire Safety Justice

Sir Peter Bottomley, MP, Father of the UK House of Commons

Appendix I: History and Impact of the Fire Safety Defect Crisis

In January 2020, the British Government issued a Consolidated Advice Note in which it advised all building owners to assess the safety of the external walls of all buildings. It recommended the removal of combustible cladding subject to certain conditions. As a result, UK lenders and the Royal Institute of Chartered Surveyors devised a form (EWS1) to assess the external wall systems on multi-storey properties being mortgaged. As of January 2020, lenders required these forms be completed and attain a passing grade in order to lend against them.

The widespread implementation of the EWS1 form revealed a major building fire safety crisis in the UK. Thousands of buildings, housing approximately three million leaseholders, were found to not only have flammable cladding, but they were also found to have been built with highly combustible insulation, and without key fire mitigation measures, such as: fire stops, compartmentation, smoke vents, etc. Indeed, there have been numerous recent large fires that attest to the dangerously unsafe nature of these buildings: Grenfell (2017); New Providence Wharf (2021); Barking Riverside (2019) ; Richmond House (2019); Holborough Lakes (2017); The Cube (2019) and Crystal Court (2021).

The failure of residential buildings to meet safety standards has stopped lenders from lending against the flats, whilst buildings insurance premiums have increased exponentially, in some cases by as much as 2000%, and by an average of 400%. This means that those living in the failing flats are unable to sell their flats, as only cash buyers are required and any cash buyer must accept both significantly increased service charges and uncapped costs to remediate the buildings.

The failing grades have also triggered fire brigade inspections. In over 1000 cases in London alone, 24 hour 'waking watches' have been ordered, in which fire wardens constantly patrol the building because it is deemed so unsafe. The bill for these waking watches is almost always put in place with the cost assigned to the flat 'owners' (leaseholders).

The Association of Residential Managing Agents (ARMA) and Network Homes have stated that the average cost of building safety remediation works is c. £49,500, of which less than half comprises remediation of flammable cladding. Until sufficient funds are collected, remediation works cannot begin. To put this into perspective, a study by the Leasehold Knowledge Partnership charity based on ONS data found that the full remediation costs would account for *over two years of total disposable household income* in the North-East, North-West, West Midlands and Yorkshire & Humber. It accounts for approximately 150% of total annual household income in London. The anticipated drop in value of the flats ranges between 17% in London to 63% in the North East. These figures are borne out by a study of impacted flats selling at auction. To add to the financial distress, insurance premiums on impacted flats have risen an average of 400% (where the buildings are able to find an insurer/full cover insurance) and 40% of failing grade buildings require a waking watch (24/7 fire warden patrolling the building). The monthly cost of the fire wardens per

flat is £499 inside London and £179 outside of London. It is clear that leaseholders are in an untenable situation – the interim fire safety costs are not sustainable, the funds required to remediate the flats cannot be borrowed and the flats themselves are unsellable. Simply put, the building safety crisis has trapped leaseholders in their flammable flats.

Despite accepting the recommendations of Dame Judith Hackitt’s review of building safety regulations, which placed the blame for this crisis on the decades-long inadequate regulatory system and the malpractice this enabled in the construction industry, the response from Government since the tragic events at Grenfell in 2018 has been slow and ineffective. It has set up two funds totalling £5.1billion to cover the removal of cladding only, and only on those buildings 18m and over in height. This covers only a small fraction of the total remediation bill to be paid by leaseholders; the total remediation cost is estimated to be between £15 billion and £50 billion.

The devastating financial impact can be witnessed through the increased number of mortgage arrears on flats with fire safety defects, increased repossessions and the reduction in sales of these flats to almost zero. Indeed, it is so severe that the Bank of England has been reported to be requiring banks to identify their mortgage exposure to these flats and to make provisions for the potential bad debt. <https://www.ft.com/content/188b1a28-d204-4112-a4b9-1f4fbe1b46a5> Unfortunately, leaseholders have little to no legal recourse, due largely to the idiosyncrasies of UK’s feudal leasehold system and the lack of consumer protection offered to leaseholders. Consequently, developers and manufacturers are able to utilise this legislation to their benefit and refuse to fund remediation of buildings even when they did not meet existing safety regulations at the time of construction.

Another result of the fire safety scandal has been the creation of a mental health crisis. During a pandemic and in the face of repeated lockdowns, leaseholders’ have been unable to sell their flats to move closer to family members – even when they have been diagnosed with terminal illness; couples have been unable to start families; job opportunities in other cities have been turned down; bankruptcies have been filed; and, most troublingly, suicides have been reported. The toll of the crisis is evidenced in a 2020 UKCAG Mental Health survey of 550 leaseholders across 143 private buildings. The survey found that 23% of those surveyed had considered suicide and/or self harm. 27% said they had received a new mental health diagnosis as a result of stress brought on by the building safety crisis and a further 43% said they were planning on seeking medical help. One survey respondent stated: “I have honestly thought about making a video about the plight we are facing and jumping off a bridge to kill myself. As death (with Grenfell) started all this mess, then perhaps death would get people out of it. My thoughts were if I ended it then maybe others would be saved free from the mess the government has caused us.” Further research on the mental health crisis, including a study conducted by the Centre for Housing Evidence and Sheffield University can be found here: <https://housingevidence.ac.uk/publications/living-through-the-building-safety-crisis/> and <https://www.leaseholdknowledge.com/wp-content/uploads/2020/06/UKCAG-MENTAL-HEALTH-REPORT-2020.pdf>

You will likely have also observed various media outlets' coverage of how living in unsafe buildings is affecting children. Letters have been published in which children have pleaded with the Prime Minister to act. They have spoken out about living in overcrowded conditions, their fright as they fled their burning buildings and of suffering recurring nightmares of fires. One such example of the media coverage of how the crisis is affecting children, Newsround – the BBC's children's news service, can be found here: <https://bbc.co.uk/newsround/56145728>

We note that the media coverage from across the political spectrum has been supportive, with a recognition of the abject unfairness of leaseholders being made to pay for the collective faults of the state and industry over decades. We highlight the media's widespread condemnation of Kingspan's recent brief sponsorship of Mercedes Formula 1 team.

Media Coverage

The following media outlets have launched campaigns and/or provided extensive coverage in order to bring attention to the plight of those impacted by Grenfell and the fire safety defect crisis.

Agence France Presse (France)
Al Jazeera
Apple Daily (Hong Kong)
BBC Newsnight
BBC Radio
The Big Issue
Bloomberg
CGTN (China)
Channel News Asia
The Daily Mail
Danish Broadcasting Corporation (Denmark)
El Pais (Spain)
The Express
The Financial Times
GB News
The Guardian
Helsingin Sanomat (Finland)
The Independent
Inside Housing
LBC Radio
Le Monde (France)
The Mirror
New York Times (USA)
Russia Today (Russia)
The Standard & The Evening Standard

Appendix II: Manufacturers and Developers

Manufacturers

In the wake of the Grenfell Tower fire and to understand its extraordinary rapid spread, the British Government commissioned the Grenfell Inquiry. While the Inquiry is currently ongoing, the following information has been revealed with regard to three manufacturers (Arconic, Kingspan and Saint Gobain):

- The building's ACM cladding (Reynobond, manufactured by US firm, **Arconic**) was highly flammable. Arconic (ab)used the weak UK safety regulations (the more stringent European regulations had not been adopted in the UK) in order to sell its cladding, which it knew was flammable and did not meet European fire safety standards. This was exposed via the Grenfell Inquiry, in which internal Arconic emails revealed employees advocated selling the flammable panels "even if we know [it] has a bad behaviour exposed to fire." <https://www.spectator.co.uk/article/the-scandal-of-the-government-s-cladding-cover-up>
- The insulation on the building, K15 Kooltherm, manufactured by Irish firm, **Kingspan**, was highly flammable.

Despite a fire test showing that the insulation resulted in a "raging inferno," Kingspan continued to market the product using a test result from a *prior version of the product*. When executives were queried on this, the response was that they had been mistaken "for someone who gives a damn."

On December 3 2021, in an open letter, the Secretary of State for Levelling Up, Housing and Communities, Michael Gove, condemned Kingspan, noting its employees "accepted that their approach to certification of the materials was 'fundamentally misleading,' that they 'definitely' knew that it was more combustible than they portrayed; and that their approach was to 'get away with as much as possible.'"

We note on page 78 of Kingspan's Annual Report that it has paid just five of its executives a combined remuneration of over EUR 10,000,000 annually post-Grenfell. Kingspan also paid an estimated £4,000,000 to Mercedes Formula One team in sponsorship (this sponsorship was revoked within a week of being announced following public outcry). Despite these seemingly large discretionary expenditures, Kingspan has not contributed even one penny towards those impacted by its flammable products.

- The building's foam insulation, manufactured by Celotex (owned by French firm, **Saint Gobain**), was also found to be dangerously combustible.

Celotex’s own employees admitted to the Grenfell Inquiry that there had been a “fraud on the market” with regard to the way they marketed and sold this product. A fire safety test 3 years before Grenfell had “been rigged with fire-retardant panels to boost the insulation’s fire performance, but the modifications were left out of marketing literature used by architects and specifiers.” <https://www.theguardian.com/uk-news/2020/nov/26/celotex-executive-wrote-wtf-on-fire-test-report-grenfell-inquiry-hears>

Developers

Several of the largest listed developers have refused to fund the remediation of the buildings they built (which did not meet regulations at the time of construction) and have either explicitly refused or ignored leaseholders’ pleas to make the homes safe. While the UK government has opted to tax the largest developers via a Residential Property Developers Tax and Gateway Tax, the amount raised will be c £2billion over ten years, which is earmarked to finance the government’s committed £5.1 billion. This tax revenue represents a mere 4% - 13% of the cost to remediate the buildings (estimated between £15 billion to £50 billion). Please also note that non cladding fire safety defects are typically approximately 50% of the total remediation bill. Further, review of the balance sheets of these firms further suggests that the industry’s annual tax liability of £200 million will not act as a deterrent to future regulation violations and that the firms possess available capital to fund the remediation or risk mitigation of the buildings they constructed.

Please find below summaries of profits and dividends paid. Please note that these 2020 figures represent significant drops in previous years’ profits due to the COVID pandemic. Also provided below are various media articles criticising the developers refusal to fund the building remediation in the face of outsized profits, large executive remuneration and over £20,100,000,000 in government subsidies via the Help to Buy programme over 8 years.

<i>Developer</i>	<i>2020 Profits (pre tax)</i>	<i>2019 Dividend Payouts</i>
<i>Barratt</i>	£492,000,000	£452,300,000
<i>Bellway</i>	£237,000,000	£123,100,000
<i>Berkeley</i>	£504,000,000	£149,800,000
<i>Crest Nicholson</i>	-£13,500,000	£84,700,000
<i>Lendlease</i>	AU -\$482,000,000	
<i>Persimmon</i>	£784,000,000	£747,800,000
<i>Taylor Wimpey</i>	£264,000,000	£599,700,000
<i>Vistry</i>	£98,700,000	

Sample Articles:

How the Big Five Housing Developers Have Made £10 BILLION Since Grenfell

<https://www.dailymail.co.uk/debate/article-9247689/How-Big-Five-housing-developers-10-BILLION-Grenfell-fire.html>

Building Firms' £15bn Cash Bonanza Post Grenfell Disaster: Leaseholders Face Financial Ruin As Cladding Scandal Rumbles On....But Developers Cash In

<https://www.dailymail.co.uk/news/article-9116345/Building-firms-15bn-bonanza-Grenfell-disaster.html>

Cladding Crisis: Ten Builders Have Made More Money Since Grenfell Than Their Companies Pledged For Safety Works

<https://www.thetimes.co.uk/article/cladding-crisis-ten-builders-have-made-more-money-since-grenfell-than-their-companies-pledged-for-safety-works-kqbpshvcf>

Grenfell Companies CEOs Take £50m Profits After Blaze

<https://www.thetimes.co.uk/article/grenfell-companies-take-50m-profits-after-blaze-7nk5g3k97>