

COUNCIL ON ETHICS

THE GOVERNMENT PENSION FUND GLOBAL

UNOFFICIAL ENGLISH TRANSLATION

To Norges Bank

Recommendation to exclude BAE Systems plc from the Government Pension Fund Global

17 March 2016

1 Introduction

The Council on Ethics recommends excluding BAE Systems plc¹ (BAE) from the Government Pension Fund Global (GPF) due to the company's production of key components for nuclear weapons.

At the end of 2015, the GPF owned shares in the company worth NOK 3,693 million, corresponding to an ownership share of 1.76 per cent.

1.1 What the Council has considered

The Council has considered the Fund's investments in BAE against the guidelines for observation and exclusion from the GPF, section 2 (a), which covers the exclusion of companies that produce weapons that violate fundamental humanitarian principles through their normal use.² Nuclear weapons are among the weapons types that are covered by this.

2 Background

In 2015, BAE entered into an eight-year contract with US authorities to maintain and upgrade the US Trident and Minuteman III missiles. These are missiles whose only function is to carry nuclear warheads. The Council has previously found that the manufacturing, maintenance and upgrading of such missiles can be equated with the initial production of key components of nuclear weapons and thus form a basis for excluding a company from the GPF.³

3 Information from the company

BAE has given an account of the activity in question in correspondence with to the Council.⁴ Here, the company confirms that it has activities linked to the maintenance and upgrading of the abovementioned missiles. In both missile programmes, BAE is the contractor responsible for «*systems engineering and integration*», as well as for activities referred to as «*platform assessment*», «*logistics support, test & evaluation*» and «*program management and acquisition support*».

¹ The company has Issuer ID: 111270.

² Guidelines for observation and exclusion of companies from the Government Pension Fund Global: <http://etikkradet.no/en/guidelines/>

³ The Council's recommendation to the Ministry of Finance to exclude companies that produce key components for nuclear weapons, dated 19 September 2005: <http://etikkradet.no/en/tilradninger-og-dokumenter/recommendations/nuclear-weapons/recommendation-of-september-19-2005-on-the-exclusion-of-companies-that-are-involved-in-the-production-of-nuclear-weapons/>

⁴ E-mails from BAE Systems plc to the Council, 1 and 5 February 2016.

4 The Council's assessment

In the Council's view, the missiles in question must be regarded as key components for nuclear weapons.

In general, the concept of *Systems Engineering* (SE) is used for various kinds of engineering activities on complex products. The objective of SE is the coordination of production processes. The other activities referred to by BAE, such as testing, evaluating, logistics and programme management, are a natural part of SE.

SE is a key part of the process of manufacturing or upgrading the complex products in this case. The company that is responsible for SE must therefore be said to have a key role in the production or upgrading of the products.

BAE underlines that it is not itself responsible for the development work linked to the upgrading of the missiles in question («*We do not have any design responsibilities for any upgrades to the weapon system*»). This is not decisive for the Council; in this context production or upgrading can also mean the production or upgrading of something that others have developed.

Based on the above, BAE Systems plc must be regarded as producing key components for nuclear weapons and there is therefore reason to exclude the company from the GPFG.

5 Recommendation

The Council on Ethics recommends excluding BAE Systems plc from the Government Pension Fund Global due to the company's production of key components of nuclear weapons.

Johan H. Andresen Hans Christian Bugge Cecilie Hellestveit Arthur Sletteberg Guro Slettemark
Chair

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