

(Unofficial English translation)

To the Ministry of Finance

September 5, 2007

Recommendation

1 Introduction

The Council on Ethics for the Government Pension Fund – Global submitted a recommendation on May 15th, 2007, on exclusion from the Fund of the companies Hanwha Corporation and Rheinmetall AG because of production of cluster munitions.

After the recommendation was submitted, new information has been received pertaining to the company Rheinmetall AG, included a response from to company to the Council's enquiry.

Based on the new information, the Council no longer considers the grounds to exclude the company Rheinmetall AG to be valid.

2 Background

2.1 Response from the company

Norges Bank wrote to the company on behalf of the Council on April 12th, 2007, with a request to clarify whether the company produced cluster- or cargo munitions and / or bomblets for such munitions, e.g. 155 mm artillery delivered cargo ammunition.

Norges Bank received, after repeated attempts to get information, a response from the company on June 5th, 2007, i.e. after the recommendation of exclusion had been submitted. The company writes, i.a.: *“Characteristic for cluster munition is the lack of capability for autonomus targeting and the usually high number of unexploded ordnance devices after the strike, which stands in the focus of public criticism. Cluster ammunition and / or sub-ammunitions for such ordnance, bombs and cluster bombs do not belong to those goods, which are developed, produced or assembled by Rheinmetall nor any of our subsidiaries.”*

The Council considered that this reply did not entirely rule out the possibility of production of all forms of cluster munitions, and it was therefore decided to approach the company again with enquiries pertaining to specific munitions systems.

After repeated enquiries, by both e-mail and telephone, the Council received a reply from the company on June 28th, 2007, in which it is stated: *“You asked wether Rheinmetall currently produces 155 mm artillery shells DM 632 / DM 642 / DM 652 or DM 662. We can clarify that Rheinmetall does not produce these artillery shells”*

2.2 Statement from the German government

Germany's production and use of cluster munitions has been the subject for debate in the German national assembly. During a hearing in the *Deutcher Bundestag* on May 15th, 2007, a representative of the German government answered questions pertaining to production of cluster munitions, and stated that the company Rheinmetall is the producer of the bomblet which is designated "DM 1383". It is further stated that DM 1383 is a bomblet used in the cluster munitions designated DM 642 and DM 662.¹

2.3 The company's product catalogue

The Council has in June 2007 received a copy of a product catalogue which representatives of Rheinmetall AG distributed at the IDEX Arms Exhibition in Bahrain in February, 2007. In this catalogue, cluster munitions designated as "*155 mm bomblet projectile*", which corresponds to so-called cargo ammunition, is described in text and picture. The munitions are not designated by a specific name. The catalogue stated the following on the munitions: "*Status: In serial production*".

Based on this information, a new enquiry was made to the company on June 29th, 2007, requesting an explanation for this description of the company's products.

2.4 Further clarification from the company

In an e-mail to the Council's secretariat on August 28th, 2007, the company offers further clarifications.

Firstly, the company states that the above mentioned product catalogue is no longer in use, nor did it correctly reflect the current status of the cargo munitions previously:

"This refers to a product guide, which is not distributed by Rheinmetall any more and which did not correctly show the present status for this ammunition. We regret that you received a misleading impression of our product range by this brochure."

The company also maintains that it does not produce any form of cluster munitions or components of cluster munitions. Even the type of cluster munitions which currently are approved by German authorities, with self destruct mechanisms and dud rates of less than 1% in tests, have not been produced by the company since 2001/2002, and there are no future plans for such production.

3 The Council's assessments

After the Council's recommendation to exclude the company Rheinmetall AG was submitted on May 15th, 2007, new information has been presented regarding the company's production of cluster munitions. This information has to some extent been conflicting, and it has been necessary to contact the company several times in order to seek clarification. In particular, the company's own product catalogue and the statement from the German government have clearly indicated that the company in fact produces cluster munitions.

¹ See response to question 4: "*Hersteller für die Submunition DM 1383 ist die Firma Rheinmetall.*" <http://dip.bundestag.de/btd/16/053/1605357.pdf>

However, the Council finds the information provided by the company on August 28th, 2007, credible and is satisfied that the company no longer produces cluster munitions or components for cluster munitions that may warrant exclusion from the Fund. The Council therefore finds that the grounds for recommending exclusion of Rheinmetall AG from the Fund's investment universe are no longer valid.

Should the Council in the future find that the company does again produce cluster munitions, the Council will consider recommending exclusion of the company.

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