

(Unofficial English translation)

To the Ministry of Finance

May 15, 2007

## Recommendation

### 1 Background

Point 4.4 of the Ethical Guidelines for the Government Pension Fund – Global, states the following: “*The Council shall issue recommendations on negative screening of one or several companies on the basis of production of weapons that through their normal use may violate fundamental humanitarian principles.*” In the Government White Paper on Ethical Guidelines (NOU 22: 2003), and through the subsequent discussion of the Guidelines in the *Storting* (Parliament), cluster munitions were considered as falling within this category of weapons.

Based on the above, the Council, on June 16<sup>th</sup>, 2005, issued its first recommendation on exclusion from the Fund of companies that produce cluster munitions.<sup>1</sup> A further recommendation was issued on September 6<sup>th</sup>, 2006.<sup>2</sup>

The Council has information that two companies in the Fund’s portfolio produce cluster munitions. The Fund’s investments in these companies should be suspended in order to avoid inconsistency with the Fund’s ethical guidelines.

### 2 The Fund’s investments in Rheinmetall AG and Hanwha Corporation.

The Government Pension Fund – Global owns bonds issued by the German company Rheinmetall Ag and shares in the South Korean company Hanwha Corporation. The value of these investments were, as of December 31<sup>st</sup>, 2006, NOK 81 million and NOK 7,5 million, respectively.

#### 2.1 Further on cluster munitions produced by Rheinmetall AG

In 2006, the Norwegian Defence Research Establishment (*FFI*) conducted tests of two types of artillery delivered cargo ammunition. These were denoted DM 642 and DM 662 and respectively contained 63 and 49 bomblets.<sup>3</sup> Such ammunition is a form of cluster munitions which has previously given grounds for exclusion of companies from the Fund.

In an e-mail from April 10<sup>th</sup>, 2007, FFI confirmed to the Council’s secretariat that the main producer of these munitions was the company Rheinmetall AG.

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<sup>1</sup> Recommendation issued June 16<sup>th</sup>, 2005:

<http://www.regjeringen.no/pages/1661742/Tilr dning%20klasev pen%20eng%2015%20juni%202005.pdf>

<sup>2</sup> Recommendation issued September 6<sup>th</sup>, 2006:

<http://www.regjeringen.no/pages/1784693/Poongsan.%20Unofficial%20English%20translation.pdf>

<sup>3</sup> See [http://www.mil.no/multimedia/archive/00090/cargo-ammunition\\_90494a.pdf](http://www.mil.no/multimedia/archive/00090/cargo-ammunition_90494a.pdf)

At the Council's request, Norges Bank has written to the company in order to inquire whether the company produces cluster or cargo munitions, and specifically whether the company still produces artillery delivered cargo munitions. The company did not respond to the letter from Norges Bank and subsequent attempts to get in contact with the company were without result.

## **2.2 Further on cluster munitions produced by Hanwha Corporation**

The South Korean company Hanwha Corporation produces various forms of military equipment, among these are different types of munitions. On the company's website a picture and description of a so-called "*Scattering Bomb*" is given.<sup>4</sup>

The term "*scattering bomb*" is not a commonly used designation for weapons. From its context it must be assumed that the "scattering" refers to bomblets which are scattered over the target area, which is characteristic of cluster munitions. In the company's description of the weapon, it is stated that its intended use is to "*destroy massed enemy positions*", which is the most common usage of cluster munitions. A picture of the weapon seems to show a canister which is filled with a large number of submunitions. Although the Council has been unable to find further information on this weapon, it seems obvious that this is a category of cluster munition that has previously led to exclusion of companies from the Fund.

Furthermore, in the *Jane's Missiles and Rockets* database, there is description and pictures of the weapon from the *IDEX Arms Exhibition* in Abu Dhabi, UAE, in February 2007. It is described that Hanwha Corporation has on exhibit a "*lightweight 70 mm MLRS-system*" with associated cluster munitions.

At the Council's request, Norges Bank has written to the company in order to inquire whether the company produces cluster munitions, and specifically to clarify whether the "*Scattering Bomb*" is a cluster weapon.

The company responded to the enquiry on May 7<sup>th</sup>, 2007, and clarified the following:

*"Hanwha Corporation was officially designated as a defense contractor in 1974. Since then, it has specialized in munitions, whose production process has been under strict government control and all of which have been supplied only to the Korean government.*

*Hanwha Corporation has manufactured MLRS and 2,75" MPSM<sup>5</sup>, which can be classified as cluster/cargo munitions and has also produced KCBU-58B in the past. However, we have developed and supplied such items in cooperation with the government's initiative for self-defense, not for any other unethical purpose."*

By this, the company acknowledges its production of aerial and artillery delivered cluster munitions.

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<sup>4</sup> See [http://english.hanwhacorp.co.kr/pdtt/exp/def\\_pdt/he/index.asp](http://english.hanwhacorp.co.kr/pdtt/exp/def_pdt/he/index.asp)

<sup>5</sup> Kaliberet 2,75" tilsvarende 70 mm

### **3 Recommendation**

Based on the above, the Council presumes that Rheinmetall AG produces artillery delivered cluster munitions.

The Council also presumes that Hanwha Corporation produces both aerial and artillery delivered cluster munitions.

The Council recommends exclusion of the companies Rheinmetall AG and Hanwha Corporation from the investment universe of the Government Pension Fund – Global. This recommendation is based on Point 4.4 of the Fund’s Ethical Guidelines which prescribes exclusion of companies on the basis of production of weapons that through their normal use may violate fundamental humanitarian principles.

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