

(Unofficial English translation)

To the Ministry of Finance

September 6, 2006

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, 2005, issued its recommendation on exclusion from the Fund of companies that produce cluster munitions.¹ This recommendation provided for a closer description of cluster munitions, as well as a description of which weapons’ components fall within the Fund’s guidelines. The recommendation also stated: *“It is emphasized that this recommendation does not contain an exhaustive list of possible producers of cluster weapons, and that new recommendations concerning the exclusion of companies on this basis may be given later.”*

2 Further details on cluster munitions produced by Poongsan Corporation

The South Korean company Poongsan Corp. produces various types of munitions for military use, including 155 mm artillery shells. On its website, the company describes two of these products.² The shell designated DP-ICM TP is described as containing 88 “bomblets”, i.e. small, explosive submunitions that characterize cluster munitions. Furthermore, the shell designated DP-ICM K305 is described as follows: *“This is fired from 155 howitzer and used for blast, fragmentation, mining effects.”* In this context, it appears that the company, by using the term “mining effects”, specifically promotes that this type of munitions have a high failure rate which leads to a large number of undetonated explosives on the ground, with similar effects as antipersonnel landmines.

At the Council’s request, Norges Bank has written to the company in order to inquire whether the company produces cluster munitions. The company was asked to answer the following question:

“In connection with the implementation of these Guidelines we have been asked by the Advisory Council on Ethics for the Government Petroleum Fund to enquire whether it is correct that your company, or subsidiaries of your company, are producing, assembling or

¹ Recommendation given 16. June, 2005: <http://odin.dep.no/etikkadet/english/documents/099001-210003/dok-bn.html>

² Company homepage: <http://www.poongsan.co.kr/english/>

planning to produce or assemble: key components to air delivered or surface delivered cluster dispensers such as aerial bomb dispensers, rockets or other containers, and/or sub-munitions for such dispensers, such as ICM (Improved Conventional Munitions) or DPICM (Dual Purpose Improved Conventional Munitions) / CEM (Combined Effects Munitions)."

The company did not respond to the letter from Norges Bank.

The Council on Ethics assumes that the information provided on the company's website is up to date and thus concludes that the company produces cluster munitions.

3 Recommendation

The Council recommends exclusion of the company Poongsan 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".

This recommendation is submitted on September 6, 2006, by the Council on Ethics for the Norwegian Government Pension Fund – Global.

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