

**To the Ministry of Finance**

31 August 2012

UNOFFICIAL ENGLISH TRANSLATION

**Recommendation to revoke the exclusion of the companies BAE Systems plc. and Finmeccanica S.p.A. from the investment universe of the Government Pension Fund Global**

# 1 Background

In 2005, the British company BAE Systems plc. and the Italian company Finmeccanica S.p.A. were excluded from the investment universe of the Government Pension Fund Global because the companies, through a joint venture, had a controlling interest in the company MBDA, which produced the nuclear missile ASMP-A for the French military.

## 2 Information from the companies

The Council on Ethics wrote to the companies in June 2012, asking whether MBDA was still involved in the production of nuclear weapons.<sup>1</sup>

Both companies have responded to the Council on Ethics' inquiry.

### *BAE Systems*

BAE Systems state that MBDA's production of ASMP-A has now been completed. Further, BAE Systems states that it is involved in the development of Great Britain's new fleet of strategic submarines, but that the company is not involved in the actual nuclear weapons that these vessels will carry.<sup>2</sup>

### *Finmeccanica*

Finmeccanica also states that MBDA's production of ASMP-A has concluded, and further states that Finmeccanica is not involved in the production of nuclear weapons.<sup>3</sup>

## 3 The Council on Ethics' assessment

As stated in paragraph 5, section five of the GPFG's Ethical Guidelines, the Council shall routinely assess whether the basis for exclusion still exists and may, in light of new information, recommend that the Ministry of Finance reverse an exclusion ruling.<sup>4</sup>

As MBDA's production of ASMP-A has ended, this basis for the exclusion of MBDA's owners no longer applies.

With regard to companies that are involved in the development of submarines that can carry nuclear weapons, the Council on Ethics does not consider that all such activities are necessarily affected by the GPFG's Ethical Guidelines. The Council on Ethics distinguishes between companies that are involved in the production of missiles that carry nuclear weapons, and companies that are involved in the production of, for example, submarines that are delivery platforms for the missiles. This is in keeping with the preparatory works for the Ethical Guidelines that do not open for the exclusion of companies on the basis of production

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<sup>1</sup> Letter from the Council on Ethics to BAE Systems plc and Finmeccanica SpA, 28 June 2012

<sup>2</sup> Email from BAE Systems to the Council on Ethics, 17 June 2012

<sup>3</sup> Letter from Finmeccanica SpA to the Council on Ethic, dated 3 August 2012.

<sup>4</sup> Guidelines for the observation and exclusion of companies from the Government Pension Fund Global's investment universe, <http://www.regjeringen.no/nb/sub/styrer-rad-utvalg/etikkradet/etiske-retningslinjer.html?id=425277>

of aircraft that can carry nuclear weapons.<sup>5</sup> The Council on Ethics considers that submarines and other delivery platforms for nuclear missiles must be assessed in the same way. The Council therefore finds that BAE's activities related to the development of submarines are not covered by the nuclear weapon criterion in the Fund's Ethical Guidelines.

On the above basis, the Council on Ethics finds that there are no continued grounds for the exclusion of the companies BAE Systems plc. and Finmeccanica S.p.A.

## 4 Recommendation

The Council on Ethics for the Government Pension Fund Global recommends that the exclusion of the companies BAE Systems plc. and Finmeccanica S.p.A. from the GPFG's investment universe be revoked.

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Ola Mestad  
Chair  
(sign.)

Dag Olav Hessen  
(sign.)

Ylva Lindberg  
(sign.)

Gro Nystuen  
(sign.)

Bente Rathe  
(sign.)

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<sup>5</sup> NOU 2003:22, appendix 9, section 9.4.6, <http://www.regjeringen.no/nb/dep/fin/dok/nouer/2003/nou-2003-22/17.html?id=371890>