

To the Ministry of Finance

13 June 2013

UNOFFICIAL ENGLISH TRANSLATION

**Recommendation concerning the exclusion of Lockheed Martin Corp. from
the investment universe of the Government Pension Fund Global**

1 Introduction

The Council on Ethics recommends that Lockheed Martin Corporation (Lockheed Martin) no longer be excluded from the Fund on the grounds that it manufactures cluster munitions.

As the company manufactures key components for nuclear weapons, the Council on Ethics nevertheless recommends that the company continue to be excluded from the Government Pension Fund Global (GPF Global).

2 Background

The Fund's ethical guidelines state that the Fund's assets shall not be invested in companies which themselves or through entities they control produce weapons that violate fundamental humanitarian principles through their normal use.¹ Cluster munitions and nuclear weapons are among the weapons that fall into this category.

On 16 June 2005, the Council on Ethics recommended the exclusion of the American company Lockheed Martin from the GPF Global's investment universe because the company produced cluster munitions.² The Ministry of Finance decided to exclude the company in August 2005, and the company has since been excluded from the Fund.

The Council on Ethics routinely assesses whether the basis for excluding a company remain in place.³ In this regard, the Council on Ethics has gathered the following information about the company's production of cluster munitions and nuclear weapons.

Lockheed Martin's production of cluster munitions

In 2005, the exclusion of Lockheed Martin was recommended on the grounds of its production of various versions of the MLRS M-26S missile. This surface-to-surface missile is fired using the MLRS field artillery system. The M-26S carried M77 DPICM cluster munitions. The production of this weapons system was due to end in 2013.

The company has informed the Council on Ethics that the production of this weapons system has now ended, that the company will not conclude any new agreements for the production of the system, and that the company will not produce any other types of cluster munitions.⁴

Lockheed Martin's production of key components for nuclear weapons

The state-owned British company AWE (*Atomic Weapons Establishment*) is responsible for the development, production and maintenance of the United Kingdom's nuclear warheads. AWE is owned by the UK Ministry of Defence, but the actual business is run by the joint-

¹ Guidelines for the observation and exclusion of companies from the Government Pension Fund Global's investment universe, section 2: http://www.regjeringen.no/en/sub/styrer-rad-utvalg/ethics_council/ethical-guidelines.html?id=425277

² Recommendation from the Advisory Council on Ethics for the Government Petroleum Fund, 16 June 2005: <http://www.regjeringen.no/en/dep/fin/Selected-topics/the-government-pension-fund/responsible-investments/Recommendations-and-Letters-from-the-Advisory-Council-on-Ethics/recommendation-on-exclusion-of-cluster-w.html?id=419583>

³ Guidelines for the observation and exclusion of companies from the Government Pension Fund Global's investment universe, section 5, fifth paragraph: http://www.regjeringen.no/en/sub/styrer-rad-utvalg/ethics_council/ethical-guidelines.html?id=425277

⁴ Email from Lockheed Martin Corporation to the Council on Ethics, 6 May 2013.

venture company AWE Management Ltd. (AWE ML), of which Lockheed Martin owns one-third.⁵ The other partners in AWE ML are the companies Serco Group Plc. and Jacobs Engineering Group Inc.,⁶ which have previously been excluded from the Fund due to their participation in AWE ML.^{7 8}

3 Information provided by the company

The Council on Ethics wrote to Lockheed Martin asking whether it still produces cluster munitions and whether it produces key components for use in nuclear weapons. As discussed above, the company responded to the enquiry with respect to the production of cluster munitions. The company has not responded to the Council on Ethics' question concerning the production of nuclear weapons. Information about Lockheed Martin's ownership of – and role in – AWE ML has come from the state-owned British company AWE.

4 The Council on Ethics' assessment

The Council on Ethics considers it clear that the company has stopped producing cluster munitions. The basis for excluding the company on the grounds that it produces cluster munitions is therefore no longer present.

AWE ML is engaged in the development, production, testing and maintenance of nuclear warheads, and its operations fall within the nuclear weapons criterion in the ethical guidelines for the GPFG. In 2007 and 2012, the companies Serco Group Plc. and Jacobs Engineering Group Inc. were both excluded from the GPFG due to their participation in AWE ML. Both companies hold the same ownership share in AWE ML as Lockheed Martin.

⁵ AWE's website: 'Our work at AWE covers the entire life cycle of nuclear warheads; from initial concept, assessment and design, through to component manufacture and assembly, in-service support, and finally decommissioning and disposal.' http://www.awe.co.uk/aboutus/what_we_do_27815.html

⁶ AWE's website: 'AWE is contracted to the Ministry of Defence (MOD) through a government-owned / contractor operated (GOCO) arrangement. While our sites and facilities remain in government ownership, their management, day-to-day operations and the maintenance of Britain's nuclear stockpile is contracted to a private company: AWE Management Limited (AWE ML). AWE ML is a consortium comprising three equal partners: Serco Group plc, the Lockheed Martin Corporation and Jacobs Engineering Group. Following competition, a contract was awarded to AWE ML covering an initial period of 10 years from April 2000. In 2003, the contract was extended to a 25-year term following a detailed evaluation of AWE ML's long-term partnering proposals. The contract is priced in five-yearly periods. The next contract period takes effect from 3 April 2013.', http://www.awe.co.uk/aboutus/the_company_eb1b2.html

⁷ Recommendation of 15 November 2007 on the exclusion of the company Serco Group Plc.: <http://www.regjeringen.no/pages/2042005/Serco%20Group,%20Unofficial%20English%20translation.pdf>

⁸ Recommendation of 31 August 2012 on the exclusion of the companies The Babcock & Wilcox Co. and Jacobs Engineering Group Inc.: http://www.regjeringen.no/upload/FIN/etikk/2013/babcock_wilcox_jacobs_eng.pdf

5 Recommendation

The Council on Ethics recommends revoking the exclusion of the Lockheed Martin Corporation on the grounds that it produces cluster munitions.

The Council on Ethics nevertheless recommends that the company remain excluded from the Fund's investment universe due to its production of key components of nuclear weapons.

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Chair

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Dag Olav Hessen

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