



7 Companies' sales of weapons to certain states

Section 4 of the guidelines states that: "Companies may be excluded or placed under observation if there is an unacceptable risk that the company contributes to or is responsible for: [...]"

- c. the sale of weapons to states engaged in armed conflict that use the weapons in ways that constitute serious and systematic violations of the international rules on the conduct of hostilities
- d. the sale of weapons or military materiel to states that are subject to investment restrictions on government bonds as described in section 2-1(2)(c) of the Management Mandate for the Government Pension Fund Global [...]"



In the autumn of 2021, the GPFG’s guidelines were expanded with the introduction of a new criterion relating to companies’ sales of weapons to countries engaged in armed conflicts. This came as an addition to the existing criteria relating to the companies’ production and sale of weapons. The exclusion of companies that produce or sell weapons may now be assessed in relation to three criteria in the guidelines.

It would be natural to view the application of sections 4(c) and 4(d) in conjunction, since both apply to companies’ sales of weapons to certain states. However, there are some key differences between the criteria:

- With respect to section 4(c), it is up to the Council to consider which states the criterion shall be applied to. For section 4(d), it is the Norwegian Ministry of Finance that decides which states it covers.
- Section 4(c) applies to the sale of weapons to states engaged in armed conflict. This is not a requirement pursuant to 4(d).
- For section 4(c), a key aspect in the assessment is *how the weapons are used* by the recipient state. Section 4(d) requires no assessment of how or to what extent the weapons are used.

Table 7.1 Three criteria for exclusion based on the production or sale of weapons

	The criterion covers companies that...	Comment
Section 3(1)(a)	... develop or produce weapons or key components of weapons that violate fundamental humanitarian principles through their normal use. Such weapons include biological weapons, chemical weapons, nuclear weapons, non-detectable fragments, incendiary weapons, blinding laser weapons, anti-personnel mines and cluster munitions.	<p>Product-based criterion. Exclusion <i>must</i> be recommended.</p> <p>In practice, this criterion currently encompasses companies’ production of nuclear weapons and cluster munitions.</p> <p>Applies to companies irrespective of their production volume.</p> <p>Most challenging aspect: Drawing the line with respect to nuclear weapons production.</p>
Section 4(c)	... sell weapons to states engaged in armed conflict that use the weapons in ways that constitute serious and systematic violations of the international rules on the conduct of hostilities.	<p>Conduct-past criterion. Exclusion or observation <i>may</i> be recommended.</p> <p>Applies to the sale of weapons to states engaged in conflicts in which serious violations of international law are foreseeable. The Council must consider which states these are.</p> <p>Applies primarily to the types of weapons that may be used to target civilians.</p>
Section 4(d)	... weapons or military materiel to states that are subject to investment restrictions on government bonds as described in section 2-1(2)(c) of the Management Mandate for the Government Pension Fund Global.	<p>Conduct-past criterion. Exclusion or observation <i>may</i> be recommended.</p> <p>Applies to the sale of weapons to such states as the Norwegian Ministry of Finance has determined. At present, these are: Russia, Belarus, Syria, Iran and North Korea.</p> <p>Applies to all types of weapons and military equipment.</p>



- According to section 4(c)'s preparatory works, this criterion is intended to apply primarily to types of weapons which could be used to target civilians. Section 4(d) applies to all types of weapons and military equipment.

In the autumn of 2021, the Council started work in relation to section 4(c) by performing a systematic review of ongoing conflicts in which serious and systematic violations of humanitarian law are taking place. Then we identified companies which sell weapons to the parties engaged in these conflicts. The Council commissioned the Geneva Academy of International Humanitarian Law and Human Rights to produce the report *A Survey of Current Armed Conflict and International Humanitarian Law*. The report provides a thorough survey of ongoing armed conflicts and an assessment of the extent of compliance with the rules of humanitarian law in each of the various conflicts.

On the basis of this report, the Council decided to first examine the potential sale of weapons to Saudi Arabia, the United Arab Emirates (UAE), Ethiopia, Libya and Myanmar on the part of GPFG-invested companies. So far, the Council has issued recommendations to exclude two companies which supply weapons to the regime in Myanmar.

The Stockholm International Peace Research Institute (SIPRI) surveys the state-to-state sale of weapons as part of its activities. SIPRI's database contains country-level information about sellers and buyers, weapons types, volumes ordered and delivered, and the year of order placement and delivery.

On the other hand, SIPRI's databases do not contain information on which companies have produced the weapons. Nor do they contain any assessment of whether the weapons are of a type that may be used specifically to target civilians. This is something the Council itself has assessed on the basis of the information in SIPRI's database for the period 2019–2021.

The assessment of the kinds of weapons types that may be used specifically to target civilians is approximate. The table below contains both weapons types that clearly fall within this category (bombs, ground-target missiles) and types that may fall within such a category, such as combat aircraft, tanks and other armoured vehicles.

The majority of weapons delivered to the states concerned are of a type not deemed capable of specifically targeting civilians. This includes naval vessels and weapons intended for use against surface vessels, submarines and aircraft, and military materiel such as transport aircraft, radar systems, lorries, etc.

Table 7.2 Deliveries of weapons to certain states

Delivered to	No. of weapons deliveries 2019–2021	No. of deliveries of weapons types that can be used specifically to target civilians	No. of deliveries from GPFG-invested suppliers	No. of unique companies
Saudi Arabia	60	23	6	3
UAE	25	7	1	1
Ethiopia	7	4	0	0
Libya	4	2	0	0
Myanmar	11	4	2	2
TOTAL	107	43	9	6



A total of 107 agreements for the delivery of weapons to Saudi Arabia, the United Arab Emirates (UAE), Ethiopia, Libya and Myanmar were found for the period 2019–2021. These are the countries which the Council has decided to assess first under section 4(c) of the ethical guidelines.

Forty-three of the agreements relate to weapons types that could definitely or potentially be used to target civilians. Of this number, we found nine deliveries supplied by companies in which the GPFG holds shares. Since the same company could have multiple deliveries in the same country, as well as deliveries to several of the relevant countries, the number of unique companies stands at six.

Three companies accounted for six deliveries to Saudi Arabia. One of the companies also supplied the UAE. A further two companies supplied weapons to Myanmar, while one company supplied only the UAE.

Two companies that sold weapons to the regime in Myanmar were excluded in 2023 under the new criterion, at the recommendation of the Council on Ethics. The Council notes that the USA has recently changed its policy with respect to the sale of weapons to the parties involved in the conflict in Yemen. Licences for the export of relevant types of weapons to Saudi Arabia, for example, have therefore been

rescinded. The objective is to prevent the supply of weapons types that may be used specifically to target civilians. This change will influence the Council's assessment of future risk relating to companies' sales of such materiel.

With respect to the ethical guidelines' section 4(d), the Council has not identified any companies in the GPFG's portfolio which sell weapons to states covered by the government bond exemption, i.e. Russia, Belarus, Syria and North Korea. It is known that Russia has sold weapons to both Belarus and Syria, but the GPFG has no investments in the Russian arms industry and, in any case, the Norwegian Ministry of Finance has decided that the Fund shall divest all its investments in Russian enterprises. Furthermore, it has been reported that Russia, in connection with the war in Ukraine, is buying military materiel from Iran and North Korea. However, the GPFG has no investments in these countries.

Companies are being assessed in relation to the ethical guidelines' sections 4(c) and 4(d) on an ongoing basis. Information about sales contracts entered into in 2022 will be assessed as and when it comes to light, and could result in recommendations to exclude additional companies.