

**To Norges Bank**

25 April 2024

UNOFFICIAL ENGLISH TRANSLATION

**Recommendation to exclude  
General Dynamics Corp from the  
Government Pension Fund Global**

## Summary

The Council on Ethics recommends that General Dynamics Corp be excluded from investment by the Norwegian Government Pension Fund Global (GPF) due to its production of key components of nuclear weapons.

At the close of 2023, the GPF owned 1.01 per cent of the company's shares, worth NOK 7.2 billion.

General Dynamics is a US company that operates primarily in the defence sector. The company is listed on the New York Stock Exchange.

The Council's recommendation relates to the company's role in the construction of the USA's strategic submarines.

# 1 Introduction

The Council on Ethics for the Norwegian Government Pension Fund Global (GPFG) has assessed the Fund's investments in General Dynamics Corp<sup>1</sup> (GD) against the weapons criterion in the Guidelines for the Observation and Exclusion of Companies from the Government Pension Fund Global (the ethical guidelines).<sup>2</sup> This assessment was prompted by the company's role in the production of strategic submarines.

At the close of 2023, the GPFG owned 1.01 per cent of the company's shares, to the value of NOK 7.2 billion.

GD is a US company that operates primarily in the defence industry.<sup>3</sup> The company is listed on the New York Stock Exchange.

## 1.1 Matters considered by the Council

The Council has assessed the GPFG's investment in GD against section 3(1)(a) of the ethical guidelines, which authorises the exclusion of companies that develop or produce nuclear weapons or key components thereof. The assessment relates to the company's role in the construction of strategic submarines (henceforth referred to as SSBNs).<sup>4</sup>

The GPFG's ethical guidelines are intended to preclude the Fund from investing in companies that produce nuclear weapons or key components thereof. One particular issue in this connection is whether SSBNs should also be considered key components of nuclear weapons. SSBNs are submarines whose primary purpose is to act as a launch platform for nuclear ballistic missiles.

The Ethics Commission, in its Official Norwegian Report NOU 2020: 7, considered that SSBNs fall within the scope of what may reasonably be understood as key components of nuclear weapons.<sup>5</sup>

In its government white paper (Meld St 24 (2021)), the Norwegian Ministry of Finance endorsed the Commission's recommendation: "*The Ministry agrees with*

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<sup>1</sup> Issuer ID: 100631

<sup>2</sup> Guidelines for the Observation and Exclusion of Companies from the Government Pension Fund Global (GPFG): [https://www.regjeringen.no/contentassets/9d68c55c272c41e99f0bf45d24397d8c/2022.09.05\\_gpf\\_g\\_guidelines\\_observation\\_exclusion.pdf](https://www.regjeringen.no/contentassets/9d68c55c272c41e99f0bf45d24397d8c/2022.09.05_gpf_g_guidelines_observation_exclusion.pdf)

<sup>3</sup> The company's website: <https://www.gd.com/our-businesses>

<sup>4</sup> SSBN is the acronym for **S**hip, **S**ubmersible, **B**allistic, **N**uclear.

<sup>5</sup> Official Norwegian Report NOU 2020:7 Values and Responsibility, para. 12.5.6.

*the Commission's opinion that certain types of delivery platforms, which may be used solely for nuclear weapons, should henceforth be covered by the criterion."*<sup>6</sup>

It is therefore clear that production of SSBNs may constitute grounds for the exclusion of companies from the GPFG.

## 1.2 Sources

This recommendation rests on publicly available information, as shown below, as well as information that the Council has received from the company.

## 2 Background

### 2.1 The US' SSBN fleet

USA is renewing its fleet of SSBNs. Its current fleet of 14 *Ohio-class* SSBNs will eventually be replaced by 12 *Columbia-class* vessels. The first *Columbia-class* submarine was delivered in 2021. The last boat in the series is scheduled for delivery at some point in the 2040s.<sup>7</sup>

All US submarines are being built at shipyards belonging to GD and Huntington Ingalls Industries.<sup>8</sup> This latter company has already been excluded from the GPFG under the ethical guidelines' nuclear weapons criterion.

In addition, the USA and the UK are collaborating on the construction of the UK's new *Dreadnought-class* SSBN. GD is also involved in this endeavour.

### 2.2 The function of SSBNs

The US Navy operates various types of submarines, which each have different functions. SSBNs differ from the other types of submarines in that they have only one function, which is to serve as a launching platform for nuclear missiles:

*The SSBNs, in contrast, perform a singular mission of strategic nuclear deterrence. To perform this mission, SSBNs are armed with submarine-launched ballistic missiles (SLBMs), which are large, long-range missiles armed with multiple nuclear warheads. SSBNs launch their SLBMs from large-diameter vertical launch tubes located in the middle section of the boat. The SSBNs' basic mission is to remain hidden at sea with their SLBMs,*

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<sup>6</sup> Meld St 24 (2021), para. 7.4.2., English translation provided here is unofficial.

<sup>7</sup> Congressional Research Service: *Navy Columbia (SSBN-826) Class Ballistic Missile Submarine Program: Background and Issues for Congress*, p. 2  
<https://crsreports.congress.gov/product/pdf/R/R41129>.

<sup>8</sup> *Ibid*, p. 3.

*so as to deter a nuclear attack on the United States by another country by demonstrating to other countries that the United States has an assured second-strike capability, meaning a survivable system for carrying out a retaliatory nuclear attack.*<sup>9</sup>

### **3 The company's operations**

#### **3.1 Construction of Columbia-class SSBNs**

Electric Boat (EB) is a wholly owned subsidiary of GD. EB is the main contractor for the construction of Columbia-class SSBNs. In a press release published in 2020, GD wrote:

*Electric Boat is the prime contractor on the Columbia program, which will replace the aging Ohio class of ballistic missile submarines. Electric Boat will perform about 78% of the construction of the Columbia class and recently shifted the program to full-scale construction at the company's manufacturing complex in Quonset Point, Rhode Island.*<sup>10</sup>

In its 2023 annual report, GD stated: *"Electric Boat is the prime contractor and lead shipyard for all Navy nuclear-powered submarine programs, including the Virginia-class attack submarine and the Columbia-class ballistic-missile submarine."*<sup>11</sup>

In its 10-K filing to the US Securities and Exchange Commission in February 2024, the company states that: *"Electric Boat is the prime contractor and lead shipyard on all Navy nuclear-powered submarine programs. The business is responsible for all aspects of design and engineering and leads the construction of both Columbia-class ballistic-missile submarines and Virginia-class attack submarines."*<sup>12</sup>

#### **3.2 Construction of Dreadnought-class SSBNs**

GD's Mission Systems division is supplying fire control systems to both the Columbia and Dreadnought-classes of SSBNs. In a press release from 2022, the company wrote:

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<sup>9</sup> Ibid, p. 2.

<sup>10</sup> General Dynamics press release, 5 November 2020:  
<https://investorrelations.gd.com/news/press-release-details/2020/General-Dynamics-Electric-Boat-awarded-9.5-billion-by-U.S.-Navy-for-Columbia-class-submarines/default.aspx>

<sup>11</sup> General Dynamics, 2023 Annual Report, p. 7:  
[https://s22.q4cdn.com/891946778/files/doc\\_financials/2023/ar/gd\\_2023-ar\\_final.pdf](https://s22.q4cdn.com/891946778/files/doc_financials/2023/ar/gd_2023-ar_final.pdf)

<sup>12</sup> General Dynamics 10-K filing, 8 February 2024:  
[https://s22.q4cdn.com/891946778/files/doc\\_financials/2023/q4/2023-10-k-as-filed-2-8-2024.pdf](https://s22.q4cdn.com/891946778/files/doc_financials/2023/q4/2023-10-k-as-filed-2-8-2024.pdf)

*General Dynamics Mission Systems, a business unit of General Dynamics, announced today it was awarded a U.S. Navy contract to support development, production and installation of fire control systems for the Columbia- and Dreadnought-classes of ballistic missile submarines. The contract as awarded has a value of \$272.9 million over the next six years. This contract is the second for General Dynamics Mission Systems and is comprised of development, production and installation support for U.S. and U.K. submarine strategic weapons systems and subsystems. It will also support strategic weapons systems upgrades on currently fielded U.S. and U.K. strategic ballistic missile submarines.*<sup>13</sup>

## **4 The Council's contacts with the company**

The Council has written to GD requesting information about the company's role in the construction of strategic submarines and other nuclear weapons systems.<sup>14</sup>

In its reply, the company confirmed that it is the main contractor for the construction of Columbia-class SSBNs and otherwise referred to the information that the company has disclosed on this matter in its annual reports, 10-K filings and website.<sup>15</sup>

## **5 The Council's assessment**

On the basis of the available information, the Council has considered whether there are grounds for recommending that GD be excluded from investment by the GPFG under section 3(1)(a) of the ethical guidelines

The assessment's starting point is that companies which produce nuclear weapons or key components thereof shall be excluded from the GPFG. It is further established that production of strategic submarines may also be covered by this criterion.

It is clear that GD is the main contractor for the construction of Columbia-class SSBNs and that these boats are built and equipped at the company's shipyards. Since the construction of the Columbia-class fleet will continue for many years to come, it must be presumed that the company will engage in this activity for the

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<sup>13</sup> General Dynamics press release, 20 July 2022: <https://investorrelations.gd.com/news/press-release-details/2022/General-Dynamics-Mission-Systems-Awarded-272.9-Million-Contract-for-US-and-UK-Submarine-Fire-Control-Systems/default.aspx>

<sup>14</sup> Council on Ethics' letter to General Dynamics, dated 8 March 2024.

<sup>15</sup> General Dynamics' letter to the Council, dated 15 March 2024.

foreseeable future. It is further evident that GD supplies components for the construction of the UK's Dreadnought-class SSBNs.

On the basis of the above, the Council on Ethics recommends that General Dynamics Corp be excluded from investment by the Norwegian Government Pension Fund Global.

## 6 Recommendation

The Council on Ethics recommends that General Dynamics Corp. be excluded from the GPFG because of the company's production of key components of nuclear weapons.

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