

**To Norges Bank**

25 April 2024

UNOFFICIAL ENGLISH TRANSLATION

**Recommendation to exclude  
Larsen & Toubro Ltd from the  
Government Pension Fund Global**

## Summary

The Council on Ethics recommends that Larsen & Toubro Ltd (L&T) be excluded from investment by the Norwegian Government Pension Fund Global (GPF) due to the company's production of key components of nuclear weapons.

At the close of 2023, the GPF owned 0.81 per cent of the company's shares, worth NOK 4.92 billion.

L&T is an Indian company, listed on the Delhi Stock Exchange (DSE). The company has operations in multiple business sectors, including building & construction, oil & gas, electricity generation, minerals & metals, precision engineering, naval shipbuilding and the production of heavy machinery.

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

# 1 Introduction

The Council on Ethics for the Norwegian Government Pension Fund Global (GPFG) has assessed the Fund's investment in Larsen & Toubro Ltd<sup>1</sup> (L&T) against the weapons criterion in the Guidelines for 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 India's strategic submarines.

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## 1.1 Matters considered by the Council

The Council has assessed the GPFG's investment in L&T 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>

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<sup>1</sup> Issuer ID: 152324

<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\\_guidelines\\_observation\\_exclusion.pdf](https://www.regjeringen.no/contentassets/9d68c55c272c41e99f0bf45d24397d8c/2022.09.05_gpf_guidelines_observation_exclusion.pdf)

<sup>3</sup> The company's website: <https://www.larsentoubro.com/corporate/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.

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

Since the 1990s, India has undertaken the development of its own SSBN fleet for use as launch platforms for nuclear weapons. The country's first domestically produced SSBN, INS *Arihant*, was launched in 2016. In 2022, another SSBN, the INS *Arighat*, was launched. A further two Arihant-class submarines are presumed to be under construction. In addition, it is known that India is planning to build three more SSBNs, which currently have the designation S5-class. These boats are thought to be materially larger than the four Arihant-class submarines.<sup>7</sup>

## 3 The company's operations

Part of L&T's role is to produce the boats' hulls, which are fabricated and equipped at L&T's shipyards. The company has mentioned this in several of its annual reports, for example: "*L&T has played a key role in various aspects of the design and manufacture of India's first Nuclear Powered Submarine*"<sup>8</sup> and "[L&T] *executed critical portions of Arihant, India's first nuclear powered submarine, viz. design engineering, pressure hull, outer hull and structures, special equipment, outfitting (equipment, piping, cabling systems, integration and trials).*"<sup>9</sup>

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

<sup>7</sup> Times of India, 6 November 2018: Nuclear submarine INS Arihant completes patrol, counties N-triad operational. <https://timesofindia.indiatimes.com/india/as-nuclear-sub-arihant-returns-after-first-deterrence-patrol-indias-nuclear-triad-complete/articleshow/66515624.cms>

<sup>8</sup> L&T Annual Report 2015-2016, p. 138:

[https://investors.larsentoubro.com/upload/AnnualRep/FY2015AnnualRepL&T%20AR%202015\\_LR.pdf](https://investors.larsentoubro.com/upload/AnnualRep/FY2015AnnualRepL&T%20AR%202015_LR.pdf)

<sup>9</sup> L&T Annual Review 2015-2016, p. 44:

[https://annualreview.larsentoubro.com/download/Annual\\_Review\\_2016.pdf](https://annualreview.larsentoubro.com/download/Annual_Review_2016.pdf)

Together with Nuclear Power Corporation of India Ltd, L&T has established the joint venture company LTSSHF, whose 2019 annual report states: "*In the Defence sector, LTSSHF has been qualified as the only indigenous producer of large and heavy forgings and thick plates for the prestigious Submarine Programme.*"<sup>10</sup>

## 4 The Council's contacts with the company

The Council has written to L&T question information on its role in the production of India's SSBNs.<sup>11</sup> In its reply, the company wrote:

*Our response is summarized as follows: Our earlier press release regarding our involvement in ballistic missile submarine programme states that "L&T based on design provided by Navy & DRDO, carried out detailed engineering using 3D modelling & product data management software. The company had the privilege of making the single largest contribution in the construction of this vessel."*<sup>12</sup>

L&T also provided that it fabricated the submarines' hulls as well as additional structures, but that it has not produced the actual nuclear weapons or their launch mechanisms. The company further wrote that it is unable to provide more detailed information due to the highly classified nature of the SSBN programme.

## 5 The Council's assessment

On the basis of the information available, the Council has considered whether there are grounds to exclude L&T 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. The Council understands that L&T has played no role in the production of the actual nuclear weapons which the submarines carry. The company's activities may nonetheless fall within the scope of the exclusion criterion.

On the basis of the available information, it is clear that L&T has played a key role in the construction of India's SSBNs, given that the boats' hulls were built and equipped at the company's yards. Furthermore, it is clear that the company is the

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<sup>10</sup> LTSSHF Annual Report 2019–2020, p. 236:

<https://investors.larsentoubro.com/pdf/MDA%202019-20%20-%2002%20Heavy%20Engineering%20Business.pdf>

<sup>11</sup> Letter from the Council on Ethics to L&T, dated 29 February 2024.

<sup>12</sup> Letter from L&T to the Council on Ethics, dated 15 March 2024.

only enterprise in India with the technology and equipment for this type of production. Since the construction of India's SSBNs will continue for many years to come, it must be presumed that the company will engage in this activity for the foreseeable future.

On the basis of the above, the Council on Ethics recommends that Larsen & Toubro Ltd be excluded from investment by the Government Pension Fund Global.

## 6 Recommendation

The Council on Ethics recommends that Larsen & Toubro Ltd be excluded from the GPFG because of the company's production of key components of nuclear weapons.

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