



# **Decision to exclude companies that produce controversial weapons**

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## 1 Introduction

According to the Guidelines for KLP as a Responsible Investor,<sup>1</sup> KLP and the KLP Funds (KLP) should exclude from their investment portfolios any companies that are associated with gross and/or systematic violations of generally accepted standards of responsible business conduct.

The decisions contained herein have been made on the basis of a broad, renewed assessment of companies that may contravene the *weapons criterion*. This will primarily mean companies that produce certain *types* of weapons which, by their nature, violate fundamental humanitarian principles.

## 2 Guidelines and practice

### 2.1 KLP's guidelines and practice

One of the criteria set out in the Guidelines for KLP as a Responsible Investor is that:

**«*KLP shall not invest in companies that produce weapons that violate fundamental humanitarian principles through their normal use*»**

The overarching objective is that KLP shall not contribute to the violation of international norms through its investments. The topic for assessment is therefore not simply whether the guidelines have been contravened, but also whether there is an unacceptable risk of ongoing or future contraventions.

KLP's normal response to any violation of the criterion is to exclude the company concerned from its investment portfolios.

In practice, the weapons criterion applies primarily to controversial weapons, as opposed to conventional weapons. This is chiefly because controversial weapons cannot distinguish between military and civilian targets.

In practice, the criterion applies mainly to nuclear weapons and cluster munitions, as well as anti-personnel mines.

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<sup>1</sup> <https://www.klp.no/en/english-pdf/Guidelines%20for%20KLP%20as%20a%20responsible%20investor.pdf>

In principle, the criterion also encompasses other types of weapons, such as chemical and biological weapons. However, these are rare, and there is nothing to indicate that they may be relevant for KLP's investments at the present time.

According to the wording of KLP's weapons criterion, it applies to companies that "produce" such "weapons". However, pursuant to KLP's practice, and the Ethical Guidelines for the Norwegian Government Pension Fund Global (GPFG), these terms must be understood quite broadly. For example, "development" is considered equivalent to "production", and the company concerned does not have to produce or develop the entire weapon – it is sufficient that it produces components for such weapons. However, the item in question must be a "key component" of the product.

With respect to KLP's practice of excluding companies as a result of their involvement in weapons that violate humanitarian principles through their normal use, reference is made to KLP's website, where previous such decisions are presented.<sup>2</sup> The decision relating to BAE Systems in 2015, in which *maintenance* of such weapons was deemed equivalent to their production, is highlighted as particularly relevant in this context.

When determining the criterion's contents and scope, KLP also relies on the ethical guidelines for the Norwegian Government Pension Fund Global (GPFG) and the Council on Ethics' operationalisation of the term "key component".

## 2.2 The ethical framework for the Norwegian Government Pension Fund Global (GPFG) and Norges Bank

The product-based weapons criterion that applies to the GPFG is set out in section 2(1)(a) of the Guidelines for Observation and Exclusion from the Government Pension Fund Global (GPFG).<sup>3</sup> This corresponds to KLP's criterion.

The wording indicates that companies may be excluded as a result of their own production or the production of companies they control, which is the case for some of the companies in this decision.

With respect to the criterion's scope, the Council on Ethics' annual report for 2015, page 14,<sup>4</sup> states that:

*"It must be assumed **that all the components** in a nuclear weapon fulfil a necessary function in some way or other, or they would not have been part of the weapon. Hence, it is difficult to base a definition of key components strictly on necessity. [...] However, excluding all manufacturers of adapted components would be going too far, as the preparatory work **delimits the exclusion of all manufacturers of small components.**"*

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<sup>2</sup> <https://www.klp.no/en/corporate-responsibility-and-responsible-investments/exclusion-and-dialogue>

<sup>3</sup> <https://lovdata.no/dokument/INS/forskrift/2014-12-18-1793>

<sup>4</sup> [https://files.nettsteder.regjeringen.no/wpuploads01/blogs.dir/275/files/2017/02/Etikkraadet\\_AR\\_2015\\_web-1.pdf](https://files.nettsteder.regjeringen.no/wpuploads01/blogs.dir/275/files/2017/02/Etikkraadet_AR_2015_web-1.pdf)

The Council has approached this issue by looking at main components and subcomponents of these, **in practice limited to:**

- Warheads and fissile material
- Delivery systems in the form of missiles whose only function is to deliver nuclear weapons, including propulsion systems for these.

Under “missiles”, the Council has recommended excluding companies that are responsible for the end production of the missiles and the production of the engines, but not all the subcontractors. In its assessments, the Council has not looked at the level below main components, such as the production of rocket-engine parts.

*In addition, the Council has not recommended excluding companies that deliver other components that could well be regarded as key components of delivery systems, such as guidance, navigation and communication systems. This is based on practical grounds rather than reasons of principle; it is too demanding to assess such systems with regard to, for example, their level of adaptation to their purpose, and it is difficult to draw practicable system limits. The access to information on such systems is also very limited.”*

In connection with the recent revision of the guidelines, the so-called Mestad Commission proposed in its report *NOU 2020:07 Values and Responsibility* an **adjustment to the wording** of section 2(1)(a) (see above) to make it clear that it applies to both the *development* and production of weapons, *as well as their key components*.<sup>5</sup> This is meant merely as a clarification of the wording to bring it into line with existing practice.

In relation to **products that have multiple purposes**, one of which relates to nuclear weapons, the Commission concluded that no change should be made to the general rule that this does not form grounds for exclusion. However, the Commission proposed a certain narrowing of the exception through practice:

*“However, it may happen that an increasing number of systems and products have multiple purposes, one of which relates to nuclear weapons. When applying the exclusion criterion for nuclear weapons production in future, it may therefore be necessary to make certain exceptions from the general rule with respect to assessments of multipurpose components. A starting point for assessing which types of products could constitute grounds for exclusion may be:*

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<sup>5</sup> NOU 2020:07, section 12.3.2 on page 165

*“A key component of a nuclear weapon is a component that is designed, developed, produced or adapted for use solely in a nuclear weapon and that is critical for the weapon’s functioning and use.”*

In other words, a company will not automatically be excluded if a component *may* be used for multiple purposes. A specific assessment must be made in line with the Commission’s indications.

With respect to **delivery platforms**, the Commission noted that the term “delivery platform” is not used in the preparatory works but was introduced by the Council on Ethics to limit the criterion to certain types of products. The Commission writes that it:

*“... understands that delimiting the nuclear weapons criterion is challenging. Nevertheless, the Commission considers that it is difficult to view certain submarines as anything other than a necessary and integral part of a nuclear weapons system, since they have not been built for any other purpose than to be a platform for the deployment of nuclear missiles. Such a submarine will, in the Commission’s view, fall within a reasonable understanding of what is considered a key component of nuclear weapons.”*

This opens up a somewhat broader understanding of the term “component” than before, such that it also includes delivery platforms that are built for the launch of nuclear missiles.

It was further proposed to supplement the GPFG’s weapons criterion with a new criterion for companies that sell military materiel to states that use it for the serious and systematic violation of humanitarian law.<sup>6</sup> However, this specific aspect has not been accorded weight in the assessment of the 14 companies KLP has decided to exclude at this time, since they are deemed to violate the traditional weapons criterion in any case.

## 2.3 KLP’s categorisation of the guidelines

KLP’s assessments may be summarised and categorised as follows:

The terms “production” and “weapon” must be understood broadly and encompass all assembly of not only the weapons themselves but also relevant components thereof. The term weapon also comprises systems and platforms that are meant to be used by such weapons, as well as components for such systems and platforms.

The following categories of involvement in controversial weapons are encompassed by the criterion:

1. All production of **the actual weapon**, e.g. nuclear missiles.
2. Production of **components** that have been designed, developed, produced or adapted for use solely in a nuclear weapon and that are critical for the weapon’s functioning and use.

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<sup>6</sup> Summary on page 1: <https://lovdata.no/static/NOU/pdf/nou-2020-07-summary.pdf?timestamp=1629200013000>

3. Production or storage of **fissile materials** that are intended for use in weapons. This also includes contractual responsibility for the operation of facilities for this purpose.
4. **Nuclear weapons systems**, including nuclear warheads and ballistic missiles that are equipped with nuclear warheads.
5. **Support services** for controversial weapons. This includes, but is not limited to: maintenance, repair, upgrading/modernisation, storage, testing and simulation.
6. Production of **exclusive delivery platforms**, i.e. platforms that are built for the launch of nuclear weapons, including propulsion systems for such platforms. This includes vessels that have been developed or materially modified exclusively for the delivery/launch of such missiles, e.g. submarines and aircraft that have been specially developed or adapted for this purpose. It is difficult to draw a sharp distinction, but it is presumed the criterion encompasses vessels whose *primary purpose* is the delivery of controversial weapons, even though they may also have other important functions.
7. Production of **components for delivery platforms** encompassed by point 6.

The following categories are closely related to the weapons criterion but are currently deemed to fall outside its scope:

1. Production of **dual-use components**. In principle, all components that may be used for purposes other than controversial weapons, unless the component has been designed, developed, produced or adapted for use in such a weapon and is critical for the weapon's functioning and use. The same applies to:
  2. **Dual-use delivery platforms**, and
  3. **Components for dual-use delivery platforms**.

### 3 Company assessments

Here follows an overview of the companies that KLP has decided to exclude from its investment portfolios for breach of the weapons criterion.

The information presented on the companies has been obtained largely from our data providers MSCI and RepRisk, as well as the companies' websites and annual reports, supplemented by other publicly available information.

#### 3.1 BABCOCK INTERNATIONAL GROUP PLC

##### Company profile

The company is based in the UK and is a global supplier of engineering services. Its core businesses include defence, aviation and civilian nuclear power. The company's marine segment also provides support services for submarines, including service and maintenance.

The company produces weapons handling and launch systems. It also provides capacity upgrades and refurbishment programmes for HMS Vengeance, and design and engineering support and important tactical weapons launch systems for the Successor programme.

However, the company's own website emphasises its expertise in the field of weapons systems and launch systems, and states that it is responsible for all classes UK submarines. This includes support services and maintenance of Vanguard-class submarines, which are typically intended as launch platforms for intercontinental ballistic missiles equipped with

nuclear warheads.<sup>7 8 9 10</sup> The Vanguard class is produced by BAE Systems, which has already been excluded from investment by KLP.<sup>11</sup>

### Assessment

Based on available information, the company provides support services for nuclear weapons. It also produces components for delivery platforms that are exclusively intended for nuclear weapons. It may be noted that the company was contacted by email on 8 June 2021. The company has not replied to KLP's missive. The information is accepted as correct and constitutes grounds for exclusion.

## 3.2 CHINA SHIPBUILDING INDUSTRY CO LTD

### Company profile

This China-based company engages primarily in the research and development, design and production of ships for both Chinese and other customers. Production also includes the repair, maintenance and refurbishment of ships.

The parent company is involved in “*shipborne weapons launchers and other military warship equipment products*”.

According to Wikipedia, Bohai Shipbuilding Industry Co Ltd is a subsidiary of China Shipbuilding Industry Co and is described as a key supplier to military vessels, including Type 091, 092, 093 and 094 submarines.<sup>12</sup>

These submarines are nuclear powered. As far as we know, however, Type 091 and 092 submarines are not capable of launching nuclear missiles – they are intended for other missile types.<sup>13 14</sup> In contrast, Type 093 and, in particular, Type 094 submarines are capable of launching nuclear missiles, and this seems to be their primary purpose, though some uncertainty attaches to this information.<sup>15</sup>

Type 094 submarines have apparently been observed outside Bohai's shipyard,<sup>16</sup> which substantiates its involvement.

### Assessment

The company's involvement in nuclear weapons is unclear. However, its subsidiary, Bohai Shipyard, is fairly clearly involved in the production of the Type 093 and Type 094 submarines, which seem capable of launching nuclear weapons. Information about Bohai's importance as a producer and supplier, and further details about the submarines, are hard to come by. The risk of contributing to the production of nuclear weapons – in this case

<sup>7</sup> <https://www.babcockinternational.com/no/case-study/whls/>

<sup>8</sup> <https://cnduk.org/trident-troubles-at-babcock-continue/>

<sup>9</sup> <https://no.wikipedia.org/wiki/Vanguard-klassen>

<sup>10</sup> <https://www.royalnavy.mod.uk/the-equipment/submarines/ballistic-submarines/vanguard-class>

<sup>11</sup> <https://www.naval-technology.com/projects/vanguard-submarine/>

<sup>12</sup> [https://en.wikipedia.org/wiki/Bohai\\_Shipyard](https://en.wikipedia.org/wiki/Bohai_Shipyard)

<sup>13</sup> [https://en.wikipedia.org/wiki/Type\\_091\\_submarine](https://en.wikipedia.org/wiki/Type_091_submarine)

<sup>14</sup> [https://en.wikipedia.org/wiki/Type\\_092\\_submarine](https://en.wikipedia.org/wiki/Type_092_submarine)

<sup>15</sup> [https://en.wikipedia.org/wiki/Jin-class\\_submarine](https://en.wikipedia.org/wiki/Jin-class_submarine)

<sup>16</sup> [https://fas.org/blogs/security/2007/10/two\\_more\\_chinese\\_ssbns\\_spotted/](https://fas.org/blogs/security/2007/10/two_more_chinese_ssbns_spotted/)

exclusive delivery platforms – is deemed to be too high, for which reason the company is being excluded.

### 3.3 DASSAULT AVIATION SA

#### Company profile

Dassault Aviation SA is a French aviation company, which specialises in the design, production and sale of combat aircraft and exclusive jet aircraft. The company also supplies spare parts, tools and a number of services, such as technical support, maintenance and repair, for airframe equipment and parts.

The product portfolio includes the Mirage 2000, Rafale and Neuron aircraft for the military sector. The Rafale can deploy both conventional and nuclear weapons. Further details of the company's civilian and military aircraft may be found on its website.<sup>17</sup>

According to Thales Group's website, Dassault Aviation is the second-largest shareholder of Thales SA. As at 31 December 2020, Dassault Aviation held 24.62 per cent of Thales SA's shares and controlled 29.79 per cent of the voting rights in that company.<sup>18</sup>

#### Assessment

According to the information obtained, the company produces the Rafale combat aircraft, which can be equipped with nuclear weapons. However, the Rafale can also be equipped with conventional weapons, thereby fulfilling the dual-purpose exemption.

However, the company has a significant shareholding in and influence over Thales SA, which in itself qualifies for exclusion. Please see the assessment of Thales presented below.

### 3.4 ELBIT SYSTEMS LTD

#### Company profile

Elbit Systems Ltd is an international technology company that operates a number of programmes worldwide. The company develops and supplies a wide range of air, land and seaborne systems and products for defence, homeland security and commercial aviation applications. The systems and products are installed on new platforms and the company also carries out platform modernisation programmes. In addition, it offers a number of support services. The company's activities include military aircraft and helicopter systems; helmet-mounted systems; commercial aviation systems and aerostructures; unmanned aircraft and unmanned surface vessels; land vehicle systems; command, control, communication, computer and intelligence (C4I) systems; intelligence and cyber systems; electro-optical systems and receiving systems; electronic warfare and sig-int systems; and various commercial activities.

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<sup>17</sup> <https://www.dassault-aviation.com/en/group/about-us/civil-and-military-aircraft/>

<sup>18</sup> <https://www.thalesgroup.com/en/investor/retail-investors/share-and-shareholding>

Through its subsidiary Israel Military Industries (IMI), Elbit Systems produces miniature intelligent multipurpose submunitions (MIMS). MIMS are a smart cluster munitions system equipped with sensors to program and identify targets. IMI also produces the M351 152 mm dual-purpose improved conventional munitions (DPICM) and the M350 152 mm extended-range, high-explosive anti-tank munitions, which contain, respectively, 56 and 49 M85 DPICM bomblets. IMI has previously produced Runway Attack Munition (RAM), a cluster munitions system that contains anti-runway drivers, and may still do so at present.

In November 2018, Elbit Systems completed the acquisition of Israel Military Industries. Elbit Systems has owned 100 per cent of IMI Systems since December 2019.

The company has already been excluded by KLP, partly in connection with the violation of fundamental ethical norms, more specifically because of the company's involvement in the construction of Israel's separation barrier in the West Bank.

### Assessment

It is clear that the company produces cluster munitions. The company is therefore excluded for breach of the weapons criterion.

## 3.5 GENERAL DYNAMICS CORP.

### Company profile

General Dynamics Corporation is a global aviation and defence company. According to SIPRI's December 2020 report, General Dynamics is the fifth largest weapons company in the world.<sup>19</sup>

The company's website has the following to say on its strategic weapons:<sup>20</sup>

*General Dynamics Mission Systems provides full life cycle support for strategic nuclear ballistic guidance and weapon control systems. Our unique experience and proven capabilities enable us to support the U.S. Air Force intercontinental ballistic missile (ICBM) strategic weapon systems. We offer proven capabilities in the design, development, production and sustainment of strategic weapon systems. These capabilities demand understanding positive control, nuclear surety, radiation hardening, space and ballistic missile flight environments, high accuracy and reliability design, modeling, qualification and higher quality standards than most other industrial areas.*

The company offers a portfolio of products and services in the areas of business aircraft, tanks, weapons systems and ammunition; information technology (IT) services; command, control, communication, computer, intelligence, surveillance and reconnaissance (C4ISR); as well as shipbuilding and repair.

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<sup>19</sup> [https://www.sipri.org/sites/default/files/2020-12/sipriinsight2012\\_mapping\\_the\\_international\\_presence\\_of\\_the\\_worlds\\_largest\\_arms\\_companies.pdf](https://www.sipri.org/sites/default/files/2020-12/sipriinsight2012_mapping_the_international_presence_of_the_worlds_largest_arms_companies.pdf)

<sup>20</sup> <https://gdmissionsystems.com/command-and-control/strategic-weapon-deterrence>

Through its wholly owned subsidiary General Dynamics Ordnance and Tactical Systems Inc, the company produces the PGU-14/B and PGU-20 armour piercing munitions using depleted uranium.

In December 2019, the US Navy awarded a contract to General Dynamics' wholly owned subsidiary General Dynamics Mission Systems. The contract relates to the continuous development, production, installation and distributed systems support for US and UK Trident II strategic weapons systems and subsystems. Trident II is a submarine-launched ballistic missile which constitutes a key element in the USA's "Nuclear triad".<sup>21 22</sup>

The US Navy also awarded a contract to General Dynamics Electric Boat, another wholly owned subsidiary of General Dynamics, for construction of nine new Virginia Class submarines worth a total of USD 22.2 billion.

It was further reported in May 2020 that the company received USD 1 billion in connection with the renegotiation of a USD 10 billion contract for Canada regarding the sale of Light Armoured Vehicles (LAVs) to Saudi Arabia. In this connection, the Trudeau government was criticised, and political pressure was brought to bear, claiming the deal should be halted due to human rights concerns.<sup>23 24</sup>

### Assessment

The information obtained confirms that the company provides support services for nuclear weapons and that it produces components for delivery platforms exclusively intended for nuclear weapons.

## 3.6 KBR Inc

### Company profile

KBR Inc supplies a variety of advanced services and technologies within three main business segments: Government Solutions, Technology Solutions and Energy Solutions. The services include systems development services for combat vehicles and rocket-propelled weaponry, C4ISR systems and training and simulations for missile systems.

In July 2018, the US Air Force Installation Contracting Agency (AFICA) awarded the company a contract to provide support services for the LGM-30G Minuteman III Intercontinental Ballistic Missile (ICBM), which is a nuclear weapon. The company will carry out scientific and technical analyses, and make recommendations relating to reliability, maintainability, quality, supportability, and interoperability (RMQSI), nuclear safety and security, lifecycle management, troubleshooting and reduced production issues. It will also engage in R&D relating to fault detection and corrosion resistance.

### Assessment

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<sup>21</sup> [https://en.wikipedia.org/wiki/UGM-133\\_Trident\\_II](https://en.wikipedia.org/wiki/UGM-133_Trident_II)

<sup>22</sup> [https://en.wikipedia.org/wiki/Nuclear\\_triad](https://en.wikipedia.org/wiki/Nuclear_triad)

<sup>23</sup> <https://www.defensenews.com/congress/2020/05/07/general-dynamics-saw-1-billion-bump-after-canada-saudi-accord/>

<sup>24</sup> <https://www.defensenews.com/land/2016/01/16/after-saudi-executions-new-canadian-leaders-still-back-15b-vehicle-deal/>

Reference is made to the above-mentioned contract with AFICA. The company was asked to verify the information, including whether the contract is still valid, in an email dated 9 June 2021. The email has received no reply. The information is accepted as correct and constitutes grounds for exclusion.

### 3.7 L3 HARRIS TECHNOLOGIES, Inc.

#### Company profile

L3 Harris Technologies, Inc is a technology company that supplies products, systems and services to public authorities and commercial customers. The company serves the tactical communication and defence markets, among others, and develops solutions in the field of electronic warfare. In addition, the company provides information technology (IT) and engineering services.

The company supplies a number of products, systems and services for military applications. Products range from military communications equipment, ammunition and weapons systems to sensors, digital map solutions and navigation systems for combat aircraft. Services include the maintenance, repair and upgrading of combat aircraft and warships, as well as R&D relating to weapons and defence systems.

In addition, we have been informed that the company provides support services to the United States Strategic Command (USSTRATCOM), which is responsible for USA's nuclear arsenal.

According to Don't Bank on the Bomb, the company is involved in the production of nuclear weapons in three ways:<sup>25</sup>

- 1) The company is part of the group developing the so-called Ground-Based Strategic Deterrent (GBSD) for the US Air Force. The use of nuclear warheads is planned in this connection. It has been disclosed that L3 Harris will design training systems for the GBSD.
- 2) The NGO intimates that the company is involved in the UK's holdings of the Trident II (D5) ballistic missile, which is apparently normally equipped with nuclear warheads, and that the UK is planning to renew its arsenal of nuclear warheads.
- 3) The company's subsidiary Interstate Electronics Corporation has a four-year contract for "flight test instrumentation support and services" related to the nuclear Trident II (D5) missile.

The sources seem to be reliable, but the company's role with respect to point 2 appears to be unclear.

The company is also under investigation because equipment from L3Harris Wescam has apparently been identified in Turkish drones involved in the conflict between Armenia and Azerbaijan (in Nagorno Karabakh), which recently flared up again. Around 200 civilians are reported killed, while 70,000 were driven from their homes in connection with the fighting, which took place in the autumn of 2020.<sup>26</sup>

#### Assessment

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<sup>25</sup> <https://www.dontbankonthebomb.com/l3harris/>

<sup>26</sup> <https://folkogforsvar.no/konflikten-i-nagorno-karabakh/>

The company supplies components for dual-use delivery platforms. This does not constitute grounds for exclusion, see section 2.3 above.

However, the disclosure that the company is providing certain support services to USSTRATCOM/US Air Force is connected with the development and maintenance of nuclear weapons. Development and use of nuclear weapons would not be possible without the kind of support services that the company and its subsidiaries provide. As previously mentioned, it is an overarching goal for the UN and the Treaty on the Prohibition of Nuclear Weapons that this type of weapon should be completely eliminated. The company's operations undermine this objective, prompting its exclusion from KLP's portfolios.

No independent importance has been attached to the allegations that equipment from L3 Harris has been identified as being used in Nagorno Karabakh. The information seems uncertain, and it is in any case uncertain whether this would constitute grounds for exclusion.

### 3.8 LARSEN & TOUBRO Ltd

#### Company profile

Larsen & Toubro Limited is an Indian multinational conglomerate, with business interests in engineering, construction, manufacturing, technology and financial services. It is headquartered in Mumbai.

The company produces the *Pinaka Multi Barrel Rocket Launcher System (MBRL)*, which is a delivery platform capable of launching rockets of different types, including rockets equipped with cluster munitions and anti-personnel mines.

Furthermore, the company contributes to the production of key components for the INS Arihant submarine, which is an Indian-made submarine that can be equipped with nuclear missiles. It seems somewhat uncertain whether the submarine can also launch conventional missiles. According to the information available, its main purpose seems to be the use of nuclear missiles.<sup>27</sup>

#### Assessment

As far as we have found out, the company's production of delivery platforms for nuclear weapons is limited to its contribution to the INS Arihant submarine, an Indian-made submarine that can be equipped with nuclear missiles. According to the information available, this seems to relate to key components for a launch platform, whose particular purpose is for use by nuclear missiles. In our assessment, this constitutes grounds for exclusion pursuant to the wider understanding of the product concept set out in the NOU 2020-07 report, see section 2.2 above.

As specified above, the company also produces delivery platforms that can launch both cluster munitions and anti-personnel mines, which in and of itself is grounds for exclusion.

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<sup>27</sup> [https://en.wikipedia.org/wiki/INS\\_Arihant](https://en.wikipedia.org/wiki/INS_Arihant)

### 3.9 LEIDOS HOLDINGS Inc

The company has been excluded on the grounds of its ownership of Leidos Inc.

### 3.10 LEIDOS Inc

#### **Company profile**

Leidos Inc supplies a number of products and services to the weapons and defence industries. This includes managing and operating the following nuclear weapons facilities in the USA:

- The Y-12 National Security Complex, which retrieves and stores nuclear materials, fuels the nation's naval reactors, and performs complementary work for other government and private-sector entities; and
- The Pantex Plant in Texas, which is the primary United States nuclear weapons assembly and disassembly facility, and aims to maintain the safety, security and reliability of the US nuclear weapons stockpile.

In its dialogue with KLP, the company confirmed that it is a co-owner of CNS LLC, which manages and operates the Pantex Plant and the Y-12 National Security Complex. Leidos Inc holds a 33 per cent share of this company (joint venture) and has been involved in it since 2011, when the contract was awarded. Part of the contract expires in September this year, while the rest runs until 2025, with an option to extend due to the nature of the task (construction work).

The company expressly confirmed by email that it engages in the maintenance and overhauling of nuclear weapons via this joint venture.

#### **Assessment**

The company's involvement in support services for nuclear weapons and the storage of fissile materials through its considerable shareholding in CNS LLC constitute clear grounds for exclusion under the weapons criterion.

### 3.11 LEONARDO SpA

#### **Company profile**

Leonardo SpA is an Italian multinational company operating in the aviation, space, defence and information security sectors. Headquartered in Rome, the company operates worldwide. It has a particularly large presence in Italy, the UK, the USA and Poland. The company produces fighter jets and combat helicopters, torpedoes, naval artillery weapons, remote weapons stations, ammunition, tanks and other military vehicles (armoured and unarmoured) as well as self-propelled howitzers.

Among other things, Leonardo is responsible for assembly of the F-35 Joint Strike Fighter for the Italian Air Force. The fighter jet is capable of deploying nuclear weapons.

According to credible sources quoted by Don't Bank on the Bomb, Leonardo has a 25 per cent shareholding in a joint venture, MBDA, which produces the ASMPA nuclear missile used on

the Rafale combat aircraft.<sup>28</sup> MBDA discloses on its website that the missile is nuclear.<sup>29</sup> The website also states that MBDA has been contracted by the French government to develop the successor to the ASN4G, a hypersonic missile that will be operative in 2035 and that will have twice the range of the current ASMPA missile.

### Assessment

The company assembles the F-35 JFS for the Italian Air Force. However, this combat aircraft is also capable of carrying conventional missiles (dual purpose), and nuclear weapons cannot be said to be its core area of use. KLP contacted the company by email on 8 June 2021 to request more detailed information about this and the company's involvement in nuclear weapons. The email remains unanswered.

However, the disclosure that the company, through its shareholding in MBDA, is producing the ASMPA nuclear missile and is developing the ASN4G constitutes clear grounds for exclusion.

The company has already been excluded from investment by KLP under the corruption criterion.

## 3.12 RAYTHEON TECHNOLOGIES Corp.

### Company profile

Raytheon Technologies Corporation is a US multinational aviation and defence conglomerate, headquartered in Waltham, Massachusetts. It is one of the world's largest defence contractors and suppliers of aviation and intelligence services, measured by income and market capitalisation.

Raytheon is the world's largest producer of guided missiles.<sup>30</sup> It is involved in the development of the Long Range Stand Off (LRSO) weapon, which is the US Air Force's nuclear-armed cruise missile. The USAF recently announced that it will continue to develop the LRSO, with Raytheon as the sole supplier.<sup>31 32</sup>

Raytheon is also an important developer and supplier of components for aircraft and vehicles, including several combat aircraft that are capable of carrying nuclear weapons, such as the F-16, F-15 and F-22. The company also produces rocket launch ramps for the F/A-18 Hornet, which is capable of carrying nuclear weapons. According to KLP's data provider, it won a new nuclear missile contract in August 2017.

In addition, the company supplies the electromechanical actuators for the M51 missile programme, a French submarine-launched ballistic missile that carries 6–10 independently targetable thermonuclear warheads.<sup>33</sup> The company also provides repair and other support services for the M51 missile programme.

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<sup>28</sup> [https://www.dontbankonthebomb.com/leonardo/#\\_edn5](https://www.dontbankonthebomb.com/leonardo/#_edn5)

<sup>29</sup> <https://www.mbda-systems.com/product/asmpa/>

<sup>30</sup> <https://no.wikipedia.org/wiki/Raytheon>

<sup>31</sup> <https://raytheon.mediaroom.com/2020-04-20-US-Air-Force-selects-Raytheon-Missiles-Defense-to-develop-Long-Range-Standoff-weapon>

<sup>32</sup> <https://www.airforcemag.com/raytheon-prevails-on-lrso-lockheed-out/>

<sup>33</sup> [https://en.wikipedia.org/wiki/M51\\_\(missile\)](https://en.wikipedia.org/wiki/M51_(missile))

The M51 missile is a key part of France’s nuclear weapons programme. Based on available sources, the missile seems to have been developed to carry 4–6 MIRV warheads, which are nuclear.<sup>34</sup>

Raytheon has previously been excluded by KLP due to its production of components for nuclear weapons and cluster munitions but was included again in June 2020.<sup>35</sup>

The company was also excluded by the Norwegian Government Pension Fund Global (GPF) from 2005–2007 due to its production of cluster munitions.

## Assessment

The company falls within the scope of the weapons criterion in several ways. It develops, produces and maintains several different key nuclear weapons components.

## 3.13 ROLLS ROYCE HOLDINGS PLC

### Company profile

Rolls-Royce Holdings PLC is a UK engineering firm. The company’s operations focus on power and propulsion systems. This includes the development, production, marketing and sale of commercial and military aircraft engines, piston engines and other propulsion systems, as well as a variety of electrical power solutions and so-called MTU systems.

Products include engines for combat aircraft, helicopters, training aircraft, tactical aircraft and drones, propellers and gas turbines for aircraft hangers and warships; propulsion systems for the British Royal Navy’s Astute and Vanguard-class submarines; the short take-off and vertical landing system for the F-35B aircraft version; the F136 engine for the F-35 Joint Strike Fighter; and the RB199 engine for the Panavia Tornado Multirole jet fighter, which is capable of carrying nuclear weapons. The company also provides engine maintenance and related repair services for its products.

On Rolls Royce’s website, under “Defence”, it says:

*We power the UK’s nuclear underwater defences.*

The company emphasises its 60-year engagement in this field:

*For the last 60 years we have designed, supplied and supported the nuclear propulsion plant that provides power for all of the UK Royal Navy’s nuclear submarines.*

Amnesty International has reported that the company supplies military equipment to the Saudi-Arabia/UAE-led coalition engaged in the war in Yemen:

*In 2013 Rolls-Royce won a four-year engine support contract to provide the repair of modules, accessories and components and new spare parts*

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<sup>34</sup> <https://missilethreat.csis.org/missile/m51/>

<sup>35</sup> <https://www.klp.no/en/corporate-responsibility-and-responsible-investments/exclusion-and-dialogue/23.06.2020%20Decision%20to%20include%20Raytheon%20June%202020.pdf>

*for the Royal Saudi Air Forces' Tornado RB199 engines, which have been used in the Yemen conflict. Rolls-Royce earned £1.107 billion in revenue from its operations in Saudi Arabia from 2015 to 2017; the company reported a total pre-tax profit of £4.897 billion in 2017.*

## **Assessment**

As stated above, the company produces components for a number of vessels that are capable of launching nuclear weapons and that are typically intended for this type of weapon. According to section 2.2 of the GPFG's ethical guidelines, production of such delivery platforms constitutes grounds for exclusion. This standpoint is not altered by the fact that the company "only" supplies the propulsion systems for these aircraft and submarines. These are, after all, such important elements that they must be considered "key components" of the delivery platforms and therefore the nuclear weapons the platforms are intended to launch.

## **3.14 THALES SA**

### **Company profile**

Thales SA is a French technology company with global operations. According to SIPRI's December 2020 report, Thales is the 14th largest weapons company in the world, and the largest in France.<sup>36</sup> It supplies a wide range of solutions divided into three segments: aviation, transport, and defence and security. Among other things, it supplies electronic equipment for combat aircraft and submarines.

According to the company's website, Thales supplies the technology for France's "third-generation nuclear-powered ballistic-missile submarines (SSBNs)".<sup>37</sup>

The company's missile and rocket technology is also highlighted on its website.<sup>38</sup> Here it says that Thales also:

*designs, supplies and installs infrastructural and tactical telecommunication systems & networks for the defense market. The product range includes HF Systems, Tactical Radios, Command and Control Systems, Optronic Systems and NBCR (Nuclear, Biological, Chemical and Radiological) Systems.<sup>39</sup>*

As part of the team led by Airbus Group that is responsible for the development of the M51 nuclear missile, Thales is also involved in the development and delivery of components for the M51, according to KLPs data provider. In addition, through its shareholding in Naval Group (formerly DCNS SA), Thales is building surface combat vessels and submarines, including the previously built Le Terrible submarine, which is armed with the M51 nuclear missile. Naval Group is currently working to make French ballistic missile submarines capable of carrying and launching M51 missiles. Thales has owned 35 per cent of Naval Group since December 2018.

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<sup>36</sup> [https://www.sipri.org/sites/default/files/2020-12/sipriinsight2012\\_mapping\\_the\\_international\\_presence\\_of\\_the\\_worlds\\_largest\\_arms\\_companies.pdf](https://www.sipri.org/sites/default/files/2020-12/sipriinsight2012_mapping_the_international_presence_of_the_worlds_largest_arms_companies.pdf)

<sup>37</sup> [https://www.thalesgroup.com/en/group/journalist/press\\_release/thales-provide-new-generation-sonar-suite-french-navys-nuclear](https://www.thalesgroup.com/en/group/journalist/press_release/thales-provide-new-generation-sonar-suite-french-navys-nuclear)

<sup>38</sup> <https://www.thalesgroup.com/en/global/activities/defence/air-forces/weapon-systems-munitions>

<sup>39</sup> <https://www.thalesgroup.com/en/countries/europe/italy/defence-italy>

Thales also provides the following support systems and services: C4ISR systems; integrated soldier technology systems; missile seeker and guidance units; optronics sensors; radar and sonar systems; electronic warfare systems; identification friend or foe systems; as well as training and simulation systems and services.

Amnesty International has reported that the company supplies military equipment and services to the Saudi-Arabia/UAE-led coalition engaged in the war in Yemen.<sup>40</sup>

The company has previously been excluded by KLP on the grounds of corruption and weapons production.<sup>41</sup>

### **Assessment**

Based on the above-mentioned information, the company both develops and produces components for the M51 nuclear missile and produces delivery platforms exclusively intended for this missile. Both elements are considered to contravene the weapons criterion.

## **4 Decision**

KLP and the KLP Funds will exclude the following companies from investment with effect from November 2021, due to their involvement in the production of controversial weapons:

1. BABCOCK INTERNATIONAL GROUP PLC
2. CHINA SHIPBUILDING INDUSTRY CO LTD
3. DASSAULT AVIATION SA
4. ELBIT SYSTEMS LTD
5. GENERAL DYNAMICS CORP
6. KBR INC
7. L3HARRIS TECHNOLOGIES INC
8. LARSEN & TOUBRO LTD
9. LEIDOS HOLDINGS INC
10. LEIDOS INC
11. LEONARDO SPA
12. RAYTHEON TECHNOLOGIES CORP
13. ROLLS ROYCE HOLDINGS PLC
14. THALES SA

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<sup>40</sup> <https://www.amnesty.org/download/Documents/ACT3008932019ENGLISH.PDF>

<sup>41</sup> [https://www.klp.no/en/english-pdf/KLP\\_SRI\\_report\\_december2008\\_english.pdf](https://www.klp.no/en/english-pdf/KLP_SRI_report_december2008_english.pdf)