



Decision to exclude Fluor Corporation and Huntington Ingalls Industries from investment

8 December 2015

Introduction

The companies Fluor Corporation and Huntington Ingalls Industries are to be excluded from investment by KLP and the KLP Funds with effect from 8 December 2015.

Fluor Corporation (Fluor) is one of the world's largest engineering and construction firms.¹ The company is based in the United States and has operations in more than 30 countries.² Fluor is listed on the New York Stock Exchange (FLR: NYSE).

A significant proportion of the company's business comes from public contracts. In 2014, US government contracts accounted for approx. 11 percent of Fluor's gross revenues. One of these contracts is for the operation of the Savannah River Nuclear Site in South Carolina, USA.³ The company Savannah River Nuclear Solutions, LLC (SRNS) operates the Savannah River Site under contract with the US government. SRNS is a joint venture led by Fluor, which includes the companies Newport News Nuclear and Honeywell.⁴

KLP and the KLP Funds had investments worth approx. NOK 15.2 million in Fluor as of 31 December 2014.

Huntington Ingalls Industries (Huntington Ingalls) is the largest military shipbuilding company in the United States.⁵ Among other things, the company supplies the nuclear defence industry through its subsidiary Newport News Nuclear, which is one of the companies participating in the Savannah River Nuclear Solutions (SRNS) joint venture.⁶ Neither KLP nor the KLP Funds had investments in Huntington Ingalls when this decision was published. KLP does not normally

¹ Fluor. URL: <http://www.fluor.com/pages/default.aspx>.

² Fluor, "History". URL: http://www.fluor.com/about_fluor/corporate_information/Pages/history.aspx.

³ Fluor, "Projects". URL: <http://www.fluor.com/projects/savannah-river-nuclear-management-operations>.

⁴ About SRNS, "Our Parent Companies". URL: <http://www.savannahrivernuclearsolutions.com/about/parent.htm>.

⁵ Huntington Ingalls Industries, "Who We Are". URL: <http://www.huntingtoningalls.com/about/index>.

⁶ SRNS, "Our Parent Companies". URL: <http://www.savannahrivernuclearsolutions.com/about/parent.htm>.



provide more detailed information on companies in which it is not invested, as a matter of prioritization. However, an exception is made in this case since it requires no further investigation to determine Huntington Ingalls' link to nuclear weapons production than that already undertaken in connection with Fluor.

Honeywell, the third partner in the SRNS joint venture, has been excluded from KLP's investments since 2006 due to other projects associated with nuclear weapons.⁷

Company's involvement

SRNS is engaged primarily in the clean up of nuclear waste at the Savannah River Site.⁸ Since the end of the Cold War, the site has been used, among other things, for the storage and treatment of materials from other nuclear facilities.⁹ The actual building complex has been reduced in size, since large parts of it have been turned into a nature reserve.¹⁰

Nevertheless, the Savannah River Site continues to produce tritium gas for use in US nuclear weapons. On its website, SRNS describes tritium as one of the company's main products and a key component in nuclear warheads.¹¹ Tritium is radioactive, with a half-life of 12.3 years, which means that the gas must regularly be removed and replaced to keep the nuclear warheads in working order.¹² SRNS extracts tritium from inactive warheads, and processes the gas so that it can be used to renew active warheads.¹³ SRNS supplies the processed gas to the US Department of Defense.

Tritium is *a priori* a "dual-use" product, which can be used, for example, in self-luminous EXIT signs. In this case, however, the processed gas that SRNS supplies to the Department of Defense cannot be used for civilian purposes, since it is combined with deuterium in a specific ratio.¹⁴

⁷ From the KLP list: "Through its subsidiary Honeywell Technology Solutions Inc, the company is responsible for the repair, development, calibration, operation and maintenance of measuring instruments, as well as the registration of data in connection with the simulation of nuclear weapons detonations at the White Sands Missile Range in New Mexico. The company was excluded in 2006."

⁸ SRNS, "About the Savannah River Site". URL: http://www.savannahrivernuclearsolutions.com/about/about_srs.htm.

⁹ Ibid.

¹⁰ Ibid.

¹¹ SRNS, "Defense Programs". URL: http://www.savannahrivernuclearsolutions.com/programs/def_prgms01.htm (last visited 13 August 2015).

¹² Ibid.

¹³ Ibid. See also, Office of the Assistant Secretary of Defense for Nuclear, Chemical, and Biological Defense Programs, *The Nuclear Matters Handbook: Expanded Edition* (2011), Chapter 3.4.1, "Inactive Stockpile". URL: http://www.acq.osd.mil/ncbdp/nm/nm_book_5_11/chapter_3.htm.

¹⁴ Grossman, Elaine M., "Some Nuclear Experts Question Ramp-Up in U.S. Tritium Production", *Global Security Newswire* (28 October 2011). URL: <http://www.nti.org/gsn/article/some-nuclear-experts-question-ramp-up-in-us-tritium-production/>





KLP's guidelines for the exclusion of nuclear weapons producers

According to KLP and the KLP funds' guidelines for responsible investment, companies that produce weapons whose deployment in normal circumstances violates fundamental humanitarian principles shall be excluded. This includes nuclear weapons.

Assessment

KLP does not generally exclude companies that manufacture products that have applications that do not contravene KLP's guidelines (so-called "dual-use" products). In this case, however, the processed gas that SRNS supplies to the US Department of Defence is combined with deuterium according to a formula meant for military purposes only. SRNS is the only supplier of tritium to the US defence forces. Nor are there any indications that the company sells tritium to civilian customers. The exception for "dual-use" products therefore does not apply.

Recommendation

Fluor Corporation and Huntington Ingalls Industries are to be excluded from investment by KLP and the KLP Funds with effect from 8 December 2015.