

(Unofficial English translation)

To the Ministry of Finance

November 15, 2007

Recommendation

1 Background

The Council on Ethics recommends that the company Serco Group Plc. be excluded from the investment universe of the Government Pension Fund – Global because the company is deemed to be involved in the production of nuclear weapons.

Point 4.4 of the Ethical Guidelines for the Government Pension Fund – Global, states the following: “*The Council shall issue recommendations on negative screening of one or several companies on the basis of production of weapons that through their normal use may violate fundamental humanitarian principles.*” In the Government White Paper on Ethical Guidelines (NOU 22: 2003), and through the subsequent discussion of the Guidelines in the *Storting* (Parliament), production of key components of nuclear weapons were considered as falling within this category of weapons.

The Government Pension Fund – Global owned neither stocks nor bonds issued by Serco Group Plc. at the end of 2006, investments in the company have been made in the course of 2007.

The Council, on September 19th, 2005, issued its first recommendation on exclusion from the Fund of companies that produce nuclear weapons.¹ This recommendation provided for a closer description of nuclear weapons, as well as a description of which weapons’ components fall within the Fund’s guidelines.

2 Further details on Serco Group’s role in the development and production of nuclear weapons

According to information on the company’s website, Serco Group Plc (“Serco”) is a partner in the company AWE Management limited (AWEML), which is the operating company to the British Atomic Weapons Establishment (AWE). AWE is a government owned company which produces and maintains the UK’s nuclear weapons.

On Serco’s website, this activity is described as follows: “*AWE, the Atomic Weapons Establishment, provides the warheads for the United Kingdom nuclear deterrent. AWE is managed by AWE Management Ltd, (AWEML) a consortium of Serco, Lockheed Martin and*

¹ Recommendation given September 19, 2005:

<http://www.regjeringen.no/pages/1661428/Tilråding%20kjernevåpen%20engelsk%2019%20sept%202005.pdf>

BNFL who operate a 25 year contract to maintain and deliver the national stockpile on behalf of the UK Government.”²

In a press release issued on January 22nd, 2003, it is made clear that AWEML is organised as a joint venture where three partners have equal ownership: “*AWEML is a joint venture company owned equally by Serco, Lockheed Martin Corporation (“Lockheed Martin”) and British Nuclear Fuels Plc (“BNFL”)”³*

In a press release from Serco and Lockheed Martin UK, dated July 16th, 2007, it is made clear that BNFL has withdrawn from AEML, and that AWEML is now operated in a partnership consisting of Serco and Lockheed Martin UK: “*As the remaining shareholders in AWE Management Limited (AWEML), we welcome BNFL's announcement on the disposal of its shareholding in AWEML, which will end the current uncertainty on this matter and further the long-term interests of AWE.”⁴*

At the Council’s request, Norges Bank has written to Serco in order to inquire whether the company “*or any of its subsidiaries, is involved in the development, testing, production, assembly or maintainance of components made for nuclear weapons.*”

In a letter dated November 13th, 2007, the company responds, i.a.: “*Serco has a joint venture with Lockheed Martin and BNFL to operate the UK's Atomic Weapons Establishment (AWE) on behalf of the Ministry of Defence. AWE's role is to support and maintain the UK's nuclear deterrent. Serco does not make the decision whether or not the UK should have a nuclear deterrent. That is a matter for the Government to decide.*”

In its letter Serco confirms its involvement, through AWE, in the maintenance of the UK’s nuclear weapons.

The company Lockheed Martin has already been excluded from the Fund’s investment universe because of its involvement in the production of cluster weapons. It remains somewhat unclear whether BNFL is still involved in AWE. BNFL is a government owned company and is not in the Fund’s investment universe. Therefore, the role of BNFL in AWE has no bearing on this recommendation.

3 Recommendation

The Council recommends exclusion of the company Serco Group Plc. from the investment universe of the Government Pension Fund – Global. This recommendation is based on Point 4.4 of the Fund’s Ethical Guidelines which prescribes exclusion of companies “*on the basis of production of weapons that through their normal use may violate fundamental humanitarian principles*”.

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(Chair)

² See http://www.serco.com/assurance/defence/nuclear_weapons/index.asp

³ See http://www.serco.com/media/pressreleases/2003/001_2003.asp

⁴ See <http://www.serco.co.uk/text/media/pressreleases/2007/aweshareholding.asp>