

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**BUDGET ESTIMATES 2011-2012**

Finance and Deregulation Portfolio

**Department/Agency:** Future Fund Management Agency

**Outcome/Program:**

**Topic:** Lockheed Martin – military contractor

**Senator:** Kroger

**Question reference number:** F32

**Type of question:** Hansard F&PA, Page 18, 26 May 2011

**Date set by the committee for the return of answer:** Friday, 8 July 2011

**Number of pages:** 1

**Question:**

Is it possible for the delineation [of being involved in cluster munitions or not] to be provided, because it is a huge grey area?

**Answer:**

The Fund draws on two research exercises to inform its judgement as to whether to exclude a company. The process seeks a high standard of evidence that the company's product or service is prohibited under the Cluster Munition Convention.

The Fund uses expert research provided by a third party provider that, in light of the relevant conventions, provides a qualitative opinion on the nature of the company's involvement in the economic activity, the strength of the evidence and an assessment of the legality of the activity. This research is reviewed by the Fund with regard to the quality and currency of information available to the research provider.

Desktop research is undertaken to review the relevant publicly available research by institutional investors and others. This provides us with insight into the universe of companies of interest and a guide to the strength and extent of conviction that other investors have concerning the activities of the various companies. In using this research, the Fund recognises its limitations given that investors use varying definitions, provide differing levels of disclosure, may reflect decisions and data that are no longer current and may reflect 'positive feedback' as investors follow the lead of their peers without forming independent views.

The results of both exercises are combined to allow the Fund to form a judgement on whether exclusion is appropriate or not.