

**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:** Management of the Future Fund  
**Topic:** Lockheed Martin – military contractor

**Senator:** Kroger

**Question reference number:** F33

**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:**

Can you take me through the reason why we divested our interest in Lockheed Martin on the basis of their alleged involvement in cluster munitions?

**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 concerning the company's products or services.

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 and the strength of the evidence. 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that investors use varying definitions, provide differing levels of disclosure, may reflect decisions and data that are no longer current and may reflect 'positive feedback' as investors follow the lead of their peers without forming independent views.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.

As a result of this work, the Fund formed the view that there was strong evidence that some of Lockheed Martin's economic activities rendered the company non-investible under the Board's policy.