

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**BUDGET ESTIMATES 2012-2013**

**Finance and Deregulation Portfolio**

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

**Outcome/Program:**

**Topic:** Investment in tobacco stocks

**Senator:** Di Natale

**Question reference number:** F92

**Type of question:** Hansard, F&PA Committee, Page 48, 23 May 2012

**Date set by the committee for the return of answer:** Friday, 6 July 2012

**Number of pages:** 1

**Question:**

**Senator DI NATALE:** Could you give me any example of how the behaviour of the companies that were investing in tobacco stocks has been improved in any way?

**Mr Burgess:** I would have to take on notice the specific question around tobacco. In our annual report, however, we do provide a great deal of detail on, for example, our voting policy; I can assure you that behind that is a series of engagements including voting against about 18 per cent of resolutions in the last financial year. It is a very active policy in that regard. In relation to tobacco stocks specifically, I cannot provide you with that information at the moment.

**Answer:**

The Board believes that the prudent exercise of ownership rights by investors improves the governance arrangements and behaviours of entities invested in, supporting its obligation to maximise returns, and that the combined influence of investors has improved governance arrangements and behaviours across industries and sectors over time.

Many institutional investors globally share this view and exercise their ownership rights accordingly on the basis that influence and improvements will typically be the result of cumulative actions by multiple investors. This recognises that individual investors, particularly those with diversified portfolios, are typically a small part of a much broader group of shareholders in an entity.

The Board's Ownership Rights and ESG Risk Management policy incorporates consideration of ESG issues into its investment decision-making, including (in accordance with the Board's belief in the value of ownership rights) the management and exercise of ownership rights and the process for selecting the external investment managers responsible for individual investment decisions.