

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

**Finance and Deregulation Portfolio**

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

**Outcome/Program:**

**Topic:** Cluster munitions

**Senator:** Di Natale

**Question reference number:** F112

**Type of question:** Hansard, F&PA Committee, Page 9, 29 October 2012

**Date set by the committee for the return of answer:** Friday, 30 November 2012

**Number of pages:** 2

**Question:**

**Senator DI NATALE:** I might ask Mr Burgess about this, because it predates your time, Mr Gonski. The fund divested itself of cluster munitions and investment in cluster munitions, so there is clearly a precedent there. How did that happen? Can you talk me through, firstly, how the decision made and, secondly, the process for divesting itself of those holdings?

**Mr Burgess:** It is going to be an unsatisfactory answer, I am afraid, because that was prior to my time as well.

**Senator Wong:** We can probably take it on notice and provide you with some information, if you would like.

**Senator DI NATALE:** I imagine that many of the same challenges that might be confronted here would also be confronted with that decision.

**Senator Wong:** I think that is assuming a particular outcome—

**Senator DI NATALE:** Yes. That is why I used the word 'maybe'.

**Senator Wong:** which, I am sorry, I am not going to comment on. If you are very keen for some more information about the way in which the cluster munitions decision was implemented, I am sure Mr Burgess could take that on notice and provide that.

**Senator DI NATALE:** Sure.

**Senator Wong:** Is that a yes? You do want it?

**Senator DI NATALE:** Yes, I do. Yes, thank you..

**Answer:**

The Board's approach to consideration of exclusions from the portfolio is detailed in part 7.5 of its Statement of Investment Policies. The framework provides for exclusion from the portfolio where an activity may be unlawful, where an activity may contravene a convention or treaty ratified by Australia or where a company is assessed as not responding appropriately to efforts by the Board of Guardians to influence governance arrangements and behaviour.

The Board has judged that companies involved in the production of weapons that may contravene the Anti-Personnel Mine Ban Convention (1997) or the Convention on Cluster Munitions (2008) should be excluded from the portfolio based on Australia's ratification of those instruments.

To identify companies to exclude in relation to cluster munitions and landmines, the Board drew both on expert third party research and desktop research conducted by Agency staff. External and internal research were combined to allow a judgement to be formed on whether exclusion of a company was appropriate or not. Where exclusion was determined to be appropriate, instructions were issued to external investment managers to divest and exclude the holdings going forward.