



Christine McDonald, Secretary,  
Legislation Committee,  
Senate Standing Committee on Finance and Public Administration

[fpa.sen@aph.gov.au](mailto:fpa.sen@aph.gov.au)

23<sup>rd</sup> July 2012

Dear Ms McDonald,

### **Inquiry into the Government Investment Funds Amendment (Ethical Investments) Bill 2011**

We welcome this opportunity to comment on an important ethical issue for governments, particularly since the Australian Government is recognised as a global leader in preventing tobacco diseases and deaths.

ASH Australia is a national health group dedicated to preventing the harm caused by tobacco products and ending the misleading and deceptive conduct of the tobacco industry.

ASH Australia supports the Investment Funds Amendment (Ethical Investments) Bill 2011 at [www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=s862](http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=s862)

In particular, we welcome Amendment 6 creating a set of legislated Ethical Investment Guidelines for the Future Fund, and the guideline 20A (3) (a) prohibiting “an interest in a body corporate that manufactures tobacco products.”

The trend towards responsible investment is gathering momentum: only this week, First State Super announced that it will remove all tobacco-related companies from its investment portfolio. The trend is not new, however, as the Guardians of New Zealand Superannuation divested tobacco stocks from their Fund's segregated portfolios as early as 2007.

There are compelling reasons for all parties to support this bill:

1. Tobacco use is the largest preventable cause of disease, with an annual death toll of 5.4m including over 15,000 Australians. Although promoted by the industry as a “legal” product and therefore a “legal” investment, it is unlike any other product as it kills half its long term consumers when used as intended.
2. The tobacco industry has aggressively undermined tobacco control strategies for decades here and worldwide, using deceptive and misleading conduct and targeting children. Recently they made legal and economic threats over the proposed plain tobacco packaging policy, funded some countries' legal actions using trade treaties to oppose the health policy, set up front groups to fund multi-million dollar media campaigns opposing health policies, and intimidated the Department of Health and Ageing with FOI applications costing millions of dollars in time and effort.
3. It is inappropriate for Governments to be investing in an industry that is both lethal and working actively to undermine, oppose and subvert government health policies.
4. The Australian Government as one of over 174 Parties to the WHO Framework Convention on Tobacco Control (FCTC) has legal obligations to protect health policies from interference by the tobacco industry (Article 5.3). The 5.3 Guidelines state “Government institutions and their bodies should not have any financial interest in the tobacco industry, unless they are responsible for managing a Party's ownership interest in a State-owned tobacco industry” (4.7). Refer [www.who.int/fctc/guidelines/article\\_5\\_3/en/index.html](http://www.who.int/fctc/guidelines/article_5_3/en/index.html)

5. Grouped together, "ethical" funds are outperforming their mainstream counterparts. According to Morningstar, Australian share funds that invest ethically produced an average annual return of 4.65% over the five years to July 31, 2010, compared with 4.21% for mainstream share options. Superannuation researcher SuperRatings says "sustainable" Australian share options offered by super funds have outperformed their mainstream Australian share options over the past five years.
6. There is strong public support for the thrust of Amendment 6. Australian research into pension funds and tobacco investments (2007) surveyed Chief Executives of 282 pension funds and reported that tobacco investments are regarded as unethical as they promote ill health, and are strongly opposed by fund members. Only 2% of funds surveyed, however, reported that they have formal policies precluding tobacco investments. Refer <http://heapro.oxfordjournals.org/content/23/1/35.full>
7. We have raised serious concerns over the Future Fund's massive tobacco investments in several letters to the Prime Minister, Treasurer, the Minister for Finance and Deregulation and the former chair of the Future Fund David Murray. Then-Health Minister Nicola Roxon at the time of adverse publicity over tobacco investments expressed concerns about Australia's simultaneous investment in, and public policy against, the tobacco industry. Mr Murray in a letter to us in March 2012 advised that the Board took the position that neither the Future Fund Act 2006 or the associated Future Fund Investment Directions require the Board to exclude investments in the tobacco industry.
8. As this is an important ethical and economic issue for all governments, ASH Australia and the Australian Council on Smoking and Health (ACOSH) recently wrote to the eight state and territory governments seeking advice on their policy position on tobacco investments. To date the Premier of Tasmania has reported they have no tobacco investments and the ACT government is currently reviewing its policy.

With this background, we hope that the bill will provide an important opportunity for the Australian Government to put in place investment guidelines that can better reflect responsible investment strategies, ethical expectations, public support and the government's leadership in health reforms. We wish your committee success and are available at any time to provide further assistance.

Sincerely,

Anne Jones OAM  
**Chief Executive Officer**  
**ASH Australia**