



**Legco Bills Committee on Mandatory Provident Fund Schemes  
(Amendment) (No. 2) Bill 2011**

[bc\\_01\\_11@legco.gov.hk](mailto:bc_01_11@legco.gov.hk)

18<sup>th</sup> February 2012

Dear Members of the Bills Committee,

Please find herewith self explanatory information regarding the HKMA's instruction to its contractors to divest from all tobacco stock portfolio holding.

Since the MPF intermediaries are about to be subjected to a statutory control regime please ensure that the prevention of unethical tobacco stock portfolio holding is included in the intermediaries' regulation and also forbid other unethical investing such as those made in weapons' manufacturers, cluster munitions and the like.

<http://www.legco.gov.hk/yr11-12/english/bc/bc01/general/bc01.htm>

*"Proposed statutory regime to control intermediaries.*

**JUSTIFICATIONS**

***Setting up a statutory Mandatory Provident Fund ("MPF")  
intermediaries regulatory regime***

*(a) The need to replace the existing administrative regulatory arrangements  
with a statutory regime*

*21. At present, MPFA implements an administrative regulatory regime for MPF  
intermediaries through its "Code of Conduct for MPF Intermediaries". Under this  
administrative regime, MPFA is the standard setter and registration authority whereas  
HKMA, IA and SFC are, in accordance with the Memorandum of Understanding signed  
between them and MPFA, responsible as far as practicable for the day-to-day supervision of  
MPF intermediaries who are also their own regulatees under the Banking Ordinance (Cap.  
155), Insurance Companies Ordinance (Cap. 41) and SFO respectively."*

**EMAIL TO MPFA and FSTB February 8<sup>th</sup> 2012**

**From:** James Middleton [mailto:dynamco@netvigator.com]

**Sent:** Wednesday, February 08, 2012 16:34

**To:** 'frederickyu@fstb.gov.hk'; 'mpfa@mpfa.org.hk'; 'NancyWong@mpfa.org.hk'; 'AliceSCTang@mpfa.org.hk'

**Subject:** MPFA Trustees - investments in tobacco stocks must be divested to comply with the International ratified FCTC Treaty

Dear Mr Yu

Please see the self explanatory reply from the Hong Kong Monetary Authority.  
The FCTC Treaty applies to ALL departments of the Hong Kong Government which has a  
fiduciary duty to comply across the board and to instruct, as the HKMA has done,  
the MPFA and its contractors to comply and divest accordingly.

Kind regards,

James Middleton

Chairman

[www.cleartheair.org.hk](http://www.cleartheair.org.hk)



WHO Treaty Framework Convention on Tobacco Control Article 5.3

FCTC Article 5.3

[http://www.who.int/fctc/guidelines/article\\_5\\_3.pdf](http://www.who.int/fctc/guidelines/article_5_3.pdf)

**4.7 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

**4.10 Parties should not allow any official or employee of government or of any semi/quasi-governmental body to accept payments, gifts or services, monetary or in kind from the tobacco industry.**

**4.11 Taking into account national law and constitutional principles, Parties should have effective measures to prohibit contributions from the tobacco industry or any entity working to further its interests to political parties, candidates or campaigns, or to require full disclosure of such contributions.**

- I attach herewith highly relevant self explanatory information regarding upcoming legislation in the Senate of Australia regarding Unethical Government Investments.
- I also attach herewith self explanatory information sent to all listed MPFA Intermediaries by fax to their fax numbers listed on the MPFA site. No single MPFA Intermediary responded to the said letter.

Yours sincerely,

*James Middleton*

Chairman  
Clear the Air NGO

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**ClearTheAir**  
**爭氣行動**



**HONG KONG MONETARY AUTHORITY**

**香港金融管理局**

Tel: (852) 2878 8710

Fax: (852) 2878 8172

2 February 2012

Mr James Middleton  
Chairman  
Clean the Air NGO and Charity  
8/F Eastwood Centre  
3 A Kung Ngam Village Road  
Shaukeiwan  
Hong Kong

Dear Mr Middleton,

**Framework Convention on Tobacco Control**  
**of the World Health Organisation**

Thank you for your letter dated 16 December 2011 to Mr Norman Chan, the Chief Executive of the Hong Kong Monetary Authority (HKMA), and your subsequent e-mails in January 2012 to the general public enquiry email account of the HKMA.

We hope you will understand that owing to market sensitivities of the details of the investment of the Exchange Fund, we do not normally comment on the investment operations of the Exchange Fund.

But we can assure you that the investment of the Exchange Fund will comply with guidelines issued under international conventions that Hong Kong is party to. This includes the adoption of the Guidelines for Implementation of Article 5.3 of the Framework Convention on Tobacco Control (FCTC) by the World Health Organisation (WHO) as referred in your letter.

For the investment portfolio managed internally by the HKMA investment team, there is no investment that will infringe the FCTC guidelines. However, we also make use of external fund managers to manage the equity investments of the Exchange Fund. Since some of the mandates awarded are passive mandates requiring the managers to track common stock indices, which may imply that by design the portfolio may include investing in a large number of index constituent stocks across a variety of industries, including the tobacco industry. In the light of the relevant guidelines under the FCTC, we have already requested all our external managers to examine their stock holdings for the account of the Exchange Fund, and make necessary arrangements to divest from the stock holding of tobacco industry as soon as practicable if any such holding is identified. This exercise is now in good progress.

Thank you for your kind attention.

Yours sincerely,

( Francis Chu )  
Executive Director (Reserves Management)

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8 Finance Street, Central, Hong Kong  
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## Commonwealth of Australia Bills

GOVERNMENT INVESTMENT FUNDS AMENDMENT (ETHICAL INVESTMENTS) BILL 2011  
Explanatory Memorandum  
[http://corrigan.austlii.edu.au/au/legis/cth/bill\\_em/gifaib2011624/memo\\_0.html](http://corrigan.austlii.edu.au/au/legis/cth/bill_em/gifaib2011624/memo_0.html)

GOVERNMENT INVESTMENT FUNDS AMENDMENT (ETHICAL INVESTMENTS) BILL 2011  
2010-2011

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA  
THE SENATE

Government Investment Funds Amendment (Ethical Investments) Bill 2011  
**EXPLANATORY MEMORANDUM**

(Circulated by authority of Senators R Di Natale and S Ludlam)

GOVERNMENT INVESTMENT FUNDS AMENDMENT (ETHICAL INVESTMENTS) BILL 2011

### OUTLINE

The Government Investment Funds Amendment (Ethical Investments) Bill 2011 is being introduced in order to constrain the investments of government investment funds, namely those created by the Future Fund Act 2006 and the Nation-building Funds Act 2008, to those investments which are consistent with **socially responsible investment practices**.

The Australian Government is currently pursuing reforms such as the passage and implementation of the Tobacco Plain Packaging Act 2011 which are in accordance with Australia's accession to the World Health Organisation Framework Convention on Tobacco Control. **At the same time, hundreds of millions of dollars of public funds are invested in tobacco companies as part of the holdings of the Future Fund. The proposed Bill will proscribe investments by the funds in companies involved in the manufacture of tobacco, cluster munitions, nuclear arms and other entities to be proscribed under Ethical Investment Guidelines.**

**Socially responsible or ethical investment guidelines** are guidelines which examine the ramifications of an investment beyond the financial returns, such as the impacts on the environment, the rights of those employed by the various enterprises, impacts on human health or potential effect on peace and stability. Around the world there are various examples of such guidelines, including superannuation funds and sovereign wealth funds such as the Norwegian government pension fund. The proposed Bill requires the Ministers responsible for Australian sovereign funds to develop Ethical Investment Guidelines for each fund and directs the Future Fund Board to

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**have regard to these guidelines when making investment policies.**

#### NOTES ON CLAUSES

##### Clause 1 - Short Title

1. This is a formal provision specifying the short title.

##### Clause 2 - Commencement

2. This clause provides, in a table, that sections 1-3 of the Act will commence the day the Act receives Royal Assent. The table also provides that Schedule 1 to the Act commences on a day fixed by Proclamation, or no later than 6 months after the Act receives Royal Assent.

##### Clause 3 - Schedules

3. This clause provides that an Act that is specified in a Schedule is amended or repealed as set out in that Schedule, and any other item in a Schedule operates according to its terms.

#### Schedule 1 - Amendments of Future Fund Act 2006 and Nation-building Funds Act 2008

##### Item 1

This item provides for the outline of the Future Fund Act 2006 to make reference to the Future Fund Ethical Guidelines.

##### Item 2

This item amends section 5 of the Act to insert a definition of Future Fund Ethical Investment Guidelines.

##### Item 3

This item amends Section 5 of the Act to insert a clause that defines a prohibited financial asset with reference to the Future Fund Ethical Guidelines.

##### Item 4

This item alters the outline of Part 3 of the Act to make reference to the Future Fund Ethical Guidelines.

##### Item 5

This item amends subsection of 16(1) of the Act to exclude prohibited financial assets from the assets the Board may invest in.

##### Item 6

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This item amends subsection 18(11) of the Act to make reference to the Future Fund Ethical Investment Guidelines, and the Board having regard to the Guidelines.

#### Item 7

This item inserts three new sections, 20A, 20B and 20C into the Act.

Section 20A requires the responsible Ministers to create, by legislative instrument, the Future Fund Ethical Investment Guidelines. Subsection 20A(2)(a) requires the Guidelines to specify which assets are prohibited financial assets. Subsection 20A(2)(b) permits the Guidelines to make provision for socially responsible ethical investment practices. These are anticipated to include, but not be limited to, environmental concerns, human rights concerns, responsible labour practices, profit from conflict or the manufacture of weapons of war, in line with global best practice and in line with Guidelines adopted by other investment funds including sovereign wealth funds.

Subsection 20A(3) requires the Guidelines to prohibit, in particular, investments in:

- a) A body corporate that manufactures tobacco products
- b) A body corporate that produces components for cluster munitions
- c) A body corporate that produces, maintains or simulates nuclear weapons.

Section 20B requires that, before making or varying the Future Fund Ethical Investment Guidelines, the responsible Ministers must consult with the Future Fund Board of Guardians. Subsection 20B(1) requires the Ministers to invite the Board to make a submission to the Ministers, upon provision by them of draft Guidelines or a variation thereof, within a time period specified by the Ministers. New subsection 20B(2) specifies that, if the Board receives a draft and makes a submission under subsection 20B(1) that the submission must be tabled in each House of Parliament along with the legislative instrument.

New section 20C sets out procedures for ensuring compliance with the Ethical Investment Guidelines. New Subsection 20C(1) directs the Board to take all reasonable steps to comply with the Guidelines. Subsection 20C(2) obliges the Board to notify the responsible Ministers when it becomes aware of a failure to comply with the Guidelines, and to specify remedial action. Subsection 20C(3) provides for the responsible Ministers to direct the Board, in writing and within a period specified by the Ministers, to provide a written explanation of a failure to comply with the Guidelines and to take specified remedial action in order to comply with the Guidelines. Subsection 20C(6) specifies that such directions do not constitute a legislative instrument under the Legislative Instruments Act 2003 and are therefore not disallowable by the Parliament. This statement is merely declaratory of the law, in that such instruments are not legislative in nature, and does not constitute a substantive exemption from that Act.



#### Item 8

This item alters section 24(2) of the Act to make reference to the Future Fund Ethical Investment Guidelines with regard to the Board's written investment policies.

#### Item 9

This item alters section 24(6) of the Act to make reference to the Future Fund Ethical Investment Guidelines with regard to the Board reviewing the investment policies upon a change of either the Investment Mandate or Ethical Investment Guidelines.

#### Item 10

This item amends subclause 7(1) of Schedule 1 of the Act to insert a clause prohibiting the Minister from authorising the acceptance of a gift that is a prohibited financial asset.

#### Items 11 to 40

These items create, for each of the Funds described in the Nation-building Funds Act 2008, sections that govern the definition and operation of Ethical Investment Guidelines a manner identical to earlier sections regarding the Future Fund in the Future Fund Act 2006.

#### Items 41 to 44

These items insert sections into the Act that, for each of the four funds, direct the Future Fund Board to realise any assets held on the day the Schedule commences, within a period of 12 months from the commencement of the Schedule, if the assets are prohibited assets as defined in the relevant Schedule.

<http://corrigan.austlii.edu.au/au/legis/cth/bill/gifaib2011624/>

[\[Index\]](#) [\[Search\]](#) [\[Download\]](#) [\[Related Items\]](#) [\[Help\]](#)

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**This is a Bill, not an Act. For current law, see the [Acts databases](#).**

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# GOVERNMENT INVESTMENT FUNDS AMENDMENT (ETHICAL INVESTMENTS) BILL 2011

2010-2011

The Parliament of the Commonwealth of Australia

THE SENATE

*Presented and read a first time*

## Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011

*(Senators Di Natale and Ludlam)*

**A Bill for an Act to amend the *Future Fund Act***

**2006 and the *Nation-building Funds Act 2008*, and for related purposes**

*i Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

### Contents

1 Short title

.....

1

2 Commencement

.....

1

3 Schedule(s)

.....

2

### Schedule 1--Amendments

3

*Future Fund Act 2006*

3

*Nation-building Funds Act 2008*

6

*Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011 1*

**A Bill for an Act to amend the *Future Fund Act***

1

**2006 and the *Nation-building Funds Act 2008*, and**

2

**for related purposes**

3

The Parliament of Australia enacts:

4

### 1 Short title

5

This Act may be cited as the *Government Investment Funds*

6

*Amendment (Ethical Investments) Act 2011.*

7

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## 2 Commencement

8

(1) Each provision of this Act specified in column 1 of the table

9

commences, or is taken to have commenced, in accordance with

10

column 2 of the table. Any other statement in column 2 has effect

11

according to its terms.

12

13

*2 Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

### Commencement information

**Column 1**

**Column 2**

**Column 3**

**Provision(s) Commencement**

**Date/Details**

1. Sections 1 to 3

and anything in

this Act not

elsewhere covered

by this table

The day this Act receives the Royal Assent.

2. Schedule 1

A single day to be fixed by Proclamation.

However, if any of the provision(s) do not

commence within the period of 6 months

beginning on the day this Act receives the

Royal Assent, they commence on the day

after the end of that period.

Note:

This table relates only to the provisions of this Act as originally

1

passed by both Houses of the Parliament and assented to. It will not be

2

expanded to deal with provisions inserted in this Act after assent.

3

(2) Column 3 of the table contains additional information that is not

4

part of this Act. Information in this column may be added to or

5

edited in any published version of this Act.

6

### 3 Schedule(s)

7

Each Act that is specified in a Schedule to this Act is amended or

8

repealed as set out in the applicable items in the Schedule

9

concerned, and any other item in a Schedule to this Act has effect

10



according to its terms.

11

12

Amendments **Schedule 1**

*Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

3

**Schedule 1--Amendments**

1

2

***Future Fund Act 2006***

3

**1 Section 4**

4

After "Investment Mandate", insert "and by the Future Fund Ethical

5

Investment Guidelines".

6

**2 Section 5**

7

Insert:

8

***Future Fund Ethical Investment Guidelines*** has the meaning

9

given by subsection 20A(1).

10

**3 Section 5**

11

Insert:

12

***prohibited financial asset*** means a financial asset of a kind that is

13

specified as a prohibited financial asset in the Future Fund Ethical

14

Investment Guidelines.

15

**4 Section 14**

16

After "Investment Mandate", insert "and by the Future Fund Ethical

17

Investment Guidelines".

18

**5 At the end of subsection 16(1)**

19

Add ", other than a prohibited financial asset".

20

**6 After paragraph 18(11)(b)**

21

Insert:

22

(ba) the Future Fund Ethical Investment Guidelines; and

23

**7 After section 20**

24



Insert:

25

**Schedule 1 Amendments**

*4 Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

**20A Future Fund Ethical Investment Guidelines**

1

(1) The responsible Ministers must, by legislative instrument, make

2

Future Fund Ethical Investment Guidelines.

3

(2) The Future Fund Ethical Investment Guidelines:

4

(a) must specify financial assets, or financial assets of a kind,

5

that are prohibited financial assets; and

6

(b) may make provision for or in relation to socially responsible

7

ethical investment practices, including (but not limited to)

8

environmental concerns, human rights concerns, labour

9

practices and the manufacture of weapons of war.

10

(3) Without limiting paragraph (2)(a), the Future Fund Ethical

11

Investment Guidelines must specify the following kinds of

12

financial assets as prohibited financial assets:

13

(a) an interest in a body corporate that manufactures tobacco

14

products;

15

(b) an interest in a body corporate that produces components for

16

cluster munitions;

17

(c) an interest in a body corporate that produces, maintains or

18

simulates nuclear weapons.

19

**20B Board to be consulted on Future Fund Ethical Investment**

20

**Guidelines**

21

(1) Before making or varying the Future Fund Ethical Investment

22

Guidelines, the responsible Ministers must:

23

(a) send a draft of the Guidelines or variation to the Board; and

24



(b) invite the Board to make a submission to the responsible

25

Ministers on the draft within a time limit specified by the

26

responsible Ministers; and

27

(c) consider any submission that is received from the Board

28

within that time limit.

29

(2)

If:

30

(a) the responsible Ministers give the Board a draft under

31

paragraph (1)(a); and

32

(b) the Board makes a submission to the responsible Ministers

33

within the specified time limit;

34

Amendments **Schedule 1**

*Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

5

the submission is to be tabled in each House of the Parliament with

1

the legislative instrument.

2

(3) A timeline specified under this section must be reasonable.

3

## **20C Compliance with Future Fund Ethical Investment Guidelines**

4

(1) The Board must take all reasonable steps to comply with the Future

5

Fund Ethical Investment Guidelines.

6

(2) As soon as practicable after the Board becomes aware that it has

7

failed to comply with the Future Fund Ethical Investment

8

Guidelines, the Board must give the responsible Ministers a written

9

statement:

10

(a) informing the responsible Ministers of the failure to comply

11

with the Future Fund Ethical Investment Guidelines; and

12

(b) setting out the action that the Board proposes to take in order

13

to comply with the Future Fund Ethical Investment

14

Guidelines.



15

(3) If the responsible Ministers are satisfied that the Board has failed

16

to comply with the Future Fund Ethical Investment Guidelines, the

17

responsible Ministers may, by written notice given to the Board,

18

direct the Board:

19

(a) to give the responsible Ministers, within a period specified in

20

the notice, a written explanation for the failure to comply

21

with the Future Fund Ethical Investment Guidelines; and

22

(b) to take action specified in the notice, within a period

23

specified in the notice, in order to comply with the Future

24

Fund Ethical Investment Guidelines.

25

(4) The Board must comply with a direction under subsection (3).

26

(5) A failure to comply with:

27

(a) the Future Fund Ethical Investment Guidelines; or

28

(b) a direction under subsection (3);

29

does not affect the validity of any transaction.

30

(6) A direction under subsection (3) is not a legislative instrument for

31

the purposes of the *Legislative Instruments Act 2003*.

32

#### **Schedule 1 Amendments**

*6 Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

#### **8 At the end of subsection 24(2)**

1

Add "and the Future Fund Ethical Investment Guidelines".

2

#### **9 Subsection 24(6)**

3

After "Mandate", insert "or the Future Fund Ethical Investment

4

Guidelines".

5

#### **10 After subclause 7(1) of Schedule 1**

6

Insert:

7

(1A) The nominated Minister must not authorise the acceptance of a gift



8  
that is a prohibited financial asset.

9  
***Nation-building Funds Act 2008***

10  
**11 Section 4**

11  
Insert:

12  
***Building Australia Fund Ethical Investment Guidelines*** has the  
13  
meaning given by subsection 38A(1).

14  
**12 Section 4**

15  
Insert:

16  
***Education Investment Fund Ethical Investment Guidelines*** has  
17  
the meaning given by subsection 157A(1).

18  
**13 Section 4**

19  
Insert:

20  
***Health and Hospitals Fund Ethical Investment Guidelines*** has  
21  
the meaning given by subsection 232A(1).

22  
**14 Section 4**

23  
Insert:

24  
***prohibited Building Australia Fund financial asset*** means a  
25  
financial asset of a kind that is specified as a prohibited Building

26  
Amendments **Schedule 1**

***Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011***

7  
Australia Fund financial asset in the Building Australia Fund  
1  
Ethical Investment Guidelines.

2  
**15 Section 4**

3  
Insert:

4  
***prohibited Education Investment Fund financial asset*** means a  
5  
financial asset of a kind that is specified as a prohibited Education

6  
Investment Fund financial asset in the Education Investment Fund



7

Ethical Investment Guidelines.

8

**16 Section 4**

9

Insert:

10

***prohibited Health and Hospitals Fund financial asset*** means a

11

financial asset of a kind that is specified as a prohibited Health and

12

Hospitals Fund financial asset in the Health and Hospitals Fund

13

Ethical Investment Guidelines.

14

**17 Section 10**

15

After "Investment Mandate", insert "and by the Building Australia Fund

16

Ethical Investment Guidelines".

17

**18 Section 30**

18

After "Investment Mandate", insert "and by the Building Australia Fund

19

Ethical Investment Guidelines".

20

**19 At the end of subsection 32(1)**

21

Add ", other than a prohibited Building Australia Fund financial asset".

22

**20 Paragraph 35(13)(b)**

23

Omit ".", substitute "; and".

24

**21 At the end of subsection 35(13)**

25

Add:

26

(c) the Building Australia Fund Ethical Investment Guidelines.

27

**22 After section 38**

28

Insert:

29

**Schedule 1 Amendments**

*8 Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

**38A Building Australia Fund Ethical Investment Guidelines**

1

(1) The responsible Ministers must, by legislative instrument, make

2

Building Australia Fund Ethical Investment Guidelines.





3  
(2) The Building Australia Fund Ethical Investment Guidelines:

4  
(a) must specify financial assets, or financial assets of a kind,  
5  
that are prohibited Building Australia Fund financial assets;  
6  
and

7  
(b) may make provision for or in relation to socially responsible  
8  
ethical investment practices, including (but not limited to)  
9  
environmental concerns, human rights concerns, labour  
10  
practices and the manufacture of weapons of war.

11  
(3) Without limiting paragraph (2)(a), the Building Australia Fund  
12  
Ethical Investment Guidelines must specify the following kinds of  
13  
financial assets as prohibited Building Australia Fund financial  
14  
assets:

15  
(a) an interest in a body corporate that manufactures tobacco  
16  
products;

17  
(b) an interest in a body corporate that produces components for  
18  
cluster munitions;

19  
(c) an interest in a body corporate that produces, maintains or  
20  
simulates nuclear weapons.

21  
**38B Future Fund Board to be consulted on Building Australia Fund**  
22  
**Ethical Investment Guidelines**

23  
(1) Before making or varying the Building Australia Fund Ethical  
24  
Investment Guidelines, the responsible Ministers must:

25  
(a) send a draft of the Guidelines or variation to the Future Fund  
26  
Board; and

27  
(b) invite the Future Fund Board to make a submission to the  
28  
responsible Ministers on the draft within a time limit  
29



specified by the responsible Ministers; and

30

(c) consider any submission that is received from the Future

31

Fund Board within that time limit.

32

(2)

If:

33

Amendments **Schedule 1**

*Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

9

(a) the responsible Ministers give the Future Fund Board a draft

1

under paragraph (1)(a); and

2

(b) the Future Fund Board makes a submission to the responsible

3

Ministers within the specified time limit;

4

the submission is to be tabled in each House of the Parliament with

5

the legislative instrument.

6

(3) A timeline specified under this section must be reasonable.

7

**38C Compliance with Building Australia Fund Ethical Investment**

8

**Guidelines**

9

(1) The Future Fund Board must take all reasonable steps to comply

10

with the Building Australia Fund Ethical Investment Guidelines.

11

(2) As soon as practicable after the Future Fund Board becomes aware

12

that it has failed to comply with the Building Australia Fund

13

Ethical Investment Guidelines, the Future Fund Board must give

14

the responsible Ministers a written statement:

15

(a) informing the responsible Ministers of the failure to comply

16

with the Building Australia Fund Ethical Investment

17

Guidelines; and

18

(b) setting out the action that the Future Fund Board proposes to

19

take in order to comply with the Building Australia Fund

20

Ethical Investment Guidelines.



21

(3) If the responsible Ministers are satisfied that the Future Fund

22

Board has failed to comply with the Building Australia Fund

23

Ethical Investment Guidelines, the responsible Ministers may, by

24

written notice given to the Future Fund Board, direct the Future

25

Fund Board:

26

(a) to give the responsible Ministers, within a period specified in

27

the notice, a written explanation for the failure to comply

28

with the Building Australia Fund Ethical Investment

29

Guidelines; and

30

(b) to take action specified in the notice, within a period

31

specified in the notice, in order to comply with the Building

32

Australia Fund Ethical Investment Guidelines.

33

(4) The Future Fund Board must comply with a direction under

34

subsection (3).

35

#### **Schedule 1 Amendments**

*10 Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

(5) A failure to comply with:

1

(a) the Building Australia Fund Ethical Investment Guidelines;

2

or

3

(b) a direction under subsection (3);

4

does not affect the validity of any transaction.

5

(6) A direction under subsection (3) is not a legislative instrument for

6

the purposes of the *Legislative Instruments Act 2003*.

7

#### **23 At the end of subsection 41(2)**

8

Add "and the Building Australia Fund Ethical Investment Guidelines".

9

#### **24 Subsection 41(6)**

10

After "Mandate", insert "or the Building Australia Fund Ethical



11

Investment Guidelines".

12

**25 Section 129**

13

After "Investment Mandate", insert "and by the Education Investment

14

Fund Ethical Investment Guidelines".

15

**26 Section 149**

16

After "Investment Mandate", insert "and by the Education Investment

17

Fund Ethical Investment Guidelines".

18

**27 At the end of subsection 151(1)**

19

Add ", other than a prohibited Education Investment Fund financial

20

asset".

21

**28 Paragraph 154(13)(b)**

22

Omit ".", substitute "; and".

23

**29 At the end of subsection 154(13)**

24

Add:

25

(c) the Education Investment Fund Ethical Investment

26

Guidelines.

27

**30 After section 157**

28

Insert:

29

**Amendments Schedule 1**

*Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

11

**157A Education Investment Fund Ethical Investment Guidelines**

1

(1) The responsible Ministers must, by legislative instrument, make

2

Education Investment Fund Ethical Investment Guidelines.

3

(2) The Education Investment Fund Ethical Investment Guidelines:

4

(a) must specify financial assets, or financial assets of a kind,

5

that are prohibited Education Investment Fund financial

6

assets; and



7  
(b) may make provision for or in relation to socially responsible  
8  
ethical investment practices, including (but not limited to)  
9  
environmental concerns, human rights concerns, labour  
10  
practices and the manufacture of weapons of war.

11  
(3) Without limiting paragraph (2)(a), the Education Investment Fund  
12  
Ethical Investment Guidelines must specify the following kinds of  
13  
financial assets as prohibited Education Investment Fund financial  
14  
assets:

- 15  
(a) an interest in a body corporate that manufactures tobacco  
16  
products;  
17  
(b) an interest in a body corporate that produces components for  
18  
cluster munitions;  
19  
(c) an interest in a body corporate that produces, maintains or  
20  
simulates nuclear weapons.

21  
**157B Future Fund Board to be consulted on Education Investment**  
22  
**Fund Ethical Investment Guidelines**

23  
(1) Before making or varying the Education Investment Fund Ethical  
24  
Investment Guidelines, the responsible Ministers must:  
25  
(a) send a draft of the Guidelines or variation to the Future Fund  
26  
Board; and  
27  
(b) invite the Future Fund Board to make a submission to the  
28  
responsible Ministers on the draft within a time limit  
29  
specified by the responsible Ministers; and  
30  
(c) consider any submission that is received from the Future  
31  
Fund Board within that time limit.  
32  
(2)  
If:



33

**Schedule 1 Amendments**

*12 Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

(a) the responsible Ministers give the Future Fund Board a draft

1

under paragraph (1)(a); and

2

(b) the Future Fund Board makes a submission to the responsible

3

Ministers within the specified time limit;

4

the submission is to be tabled in each House of the Parliament with

5

the legislative instrument.

6

(3) A timeline specified under this section must be reasonable.

7

**157C Compliance with Education Investment Fund Ethical**

8

**Investment Guidelines**

9

(1) The Future Fund Board must take all reasonable steps to comply

10

with the Education Investment Fund Ethical Investment

11

Guidelines.

12

(2) As soon as practicable after the Future Fund Board becomes aware

13

that it has failed to comply with the Education Investment Fund

14

Ethical Investment Guidelines, the Future Fund Board must give

15

the responsible Ministers a written statement:

16

(a) informing the responsible Ministers of the failure to comply

17

with the Education Investment Fund Ethical Investment

18

Guidelines; and

19

(b) setting out the action that the Future Fund Board proposes to

20

take in order to comply with the Education Investment Fund

21

Ethical Investment Guidelines.

22

(3) If the responsible Ministers are satisfied that the Future Fund

23

Board has failed to comply with the Education Investment Fund

24

Ethical Investment Guidelines, the responsible Ministers may, by



25

written notice given to the Future Fund Board, direct the Future

26

Fund Board:

27

(a) to give the responsible Ministers, within a period specified in

28

the notice, a written explanation for the failure to comply

29

with the Education Investment Fund Ethical Investment

30

Guidelines; and

31

(b) to take action specified in the notice, within a period

32

specified in the notice, in order to comply with the Education

33

Investment Fund Ethical Investment Guidelines.

34

Amendments **Schedule 1**

*Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*

13

(4) The Future Fund Board must comply with a direction under

1

subsection (3).

2

(5) A failure to comply with:

3

(a) the Education Investment Fund Ethical Investment

4

Guidelines; or

5

(b) a direction under subsection (3);

6

does not affect the validity of any transaction.

7

(6) A direction under subsection (3) is not a legislative instrument for

8

the purposes of the *Legislative Instruments Act 2003*.

9

**31 At the end of subsection 160(2)**

10

Add "and the Education Investment Fund Ethical Investment

11

Guidelines".

12

**32 Subsection 160(6)**

13

After "Mandate", insert "or the Education Investment Fund Ethical

14

Investment Guidelines".

15

**33 Section 212**





16  
After "Investment Mandate", insert "and by the Health and Hospitals  
17  
Fund Ethical Investment Guidelines".

18  
**34 Section 225**

19  
After "Investment Mandate", insert "and by the Health and Hospitals  
20  
Fund Ethical Investment Guidelines".

21  
**35 At the end of subsection 227(1)**

22  
Add ", other than a prohibited Health and Hospitals Fund financial  
23  
asset".

24  
**36 Paragraph 229(13)(b)**

25  
Omit ".", substitute "; and".

26  
**37 At the end of subsection 229(13)**

27  
Add:  
28  
(c) the Health and Hospitals Fund Ethical Investment  
29  
Guidelines.

30  
**Schedule 1 Amendments**

*14 Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. ,  
2011*

**38 After section 232**

1  
Insert:

2  
**232A Health and Hospitals Fund Ethical Investment Guidelines**

3  
(1) The responsible Ministers must, by legislative instrument, make  
4  
Health and Hospitals Fund Ethical Investment Guidelines.

5  
(2) The Health and Hospitals Fund Ethical Investment Guidelines:

6  
(a) must specify financial assets, or financial assets of a kind,

7  
that are prohibited Health and Hospitals Fund financial

8  
assets; and

9  
(b) may make provision for or in relation to socially responsible

10  
ethical investment practices, including (but not limited to)



11 environmental concerns, human rights concerns, labour  
12 practices and the manufacture of weapons of war.

13 (3) Without limiting paragraph (2)(a), the Health and Hospitals Fund  
14

Ethical Investment Guidelines must specify the following kinds of  
15

financial assets as prohibited Health and Hospitals Fund financial  
16 assets:

17 (a) an interest in a body corporate that manufactures tobacco  
18

products;

19 (b) an interest in a body corporate that produces components for  
20

cluster munitions;

21 (c) an interest in a body corporate that produces, maintains or  
22

simulates nuclear weapons.

23 **232B Future Fund Board to be consulted on Health and Hospitals**  
24

#### **Fund Ethical Investment Guidelines**

25 (1) Before making or varying the Health and Hospitals Fund Ethical  
26 Investment Guidelines, the responsible Ministers must:

27 (a) send a draft of the Guidelines or variation to the Future Fund  
28 Board; and

29 (b) invite the Future Fund Board to make a submission to the  
30 responsible Ministers on the draft within a time limit

31 specified by the responsible Ministers; and  
32

#### **Amendments Schedule 1**

*Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*  
15

(c) consider any submission that is received from the Future  
1 Fund Board within that time limit.

2 (2)

If:

3



(a) the responsible Ministers give the Future Fund Board a draft

4

under paragraph (1)(a); and

5

(b) the Future Fund Board makes a submission to the responsible

6

Ministers within the specified time limit;

7

the submission is to be tabled in each House of the Parliament with

8

the legislative instrument.

9

(3) A timeline specified under this section must be reasonable.

10

### **232C Compliance with Health and Hospitals Fund Ethical**

11

#### **Investment Guidelines**

12

(1) The Future Fund Board must take all reasonable steps to comply

13

with the Health and Hospitals Fund Ethical Investment Guidelines.

14

(2) As soon as practicable after the Future Fund Board becomes aware

15

that it has failed to comply with the Health and Hospitals Fund

16

Ethical Investment Guidelines, the Future Fund Board must give

17

the responsible Ministers a written statement:

18

(a) informing the responsible Ministers of the failure to comply

19

with the Health and Hospitals Fund Ethical Investment

20

Guidelines; and

21

(b) setting out the action that the Future Fund Board proposes to

22

take in order to comply with the Health and Hospitals Fund

23

Ethical Investment Guidelines.

24

(3) If the responsible Ministers are satisfied that the Future Fund

25

Board has failed to comply with the Health and Hospitals Fund

26

Ethical Investment Guidelines, the responsible Ministers may, by

27

written notice given to the Future Fund Board, direct the Future

28

Fund Board:

29

(a) to give the responsible Ministers, within a period specified in



30 the notice, a written explanation for the failure to comply  
31 with the Health and Hospitals Fund Ethical Investment  
32 Guidelines; and  
33

**Schedule 1 Amendments**

*16 Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. ,  
2011*

(b) to take action specified in the notice, within a period

1 specified in the notice, in order to comply with the Health  
2 and Hospitals Fund Ethical Investment Guidelines.  
3

(4) The Future Fund Board must comply with a direction under  
4 subsection (3).  
5

(5) A failure to comply with:

6 (a) the Health and Hospitals Fund Ethical Investment  
7 Guidelines; or  
8

(b) a direction under subsection (3);  
9

does not affect the validity of any transaction.  
10

(6) A direction under subsection (3) is not a legislative instrument for  
11 the purposes of the *Legislative Instruments Act 2003*.  
12

**39 At the end of subsection 235(2)**

13 Add "and the Health and Hospitals Fund Ethical Investment  
14 Guidelines".  
15

**40 Subsection 235(6)**

16 After "Mandate", insert "or the Health and Hospitals Fund Ethical  
17 Investment Guidelines".  
18

**41 Transitional provision--existing investments in prohibited**

19 **Future Fund financial assets**  
20

(1)  
This item applies if, on the day this Schedule commences, a financial  
21



asset held by the Future Fund Board as an investment of the Future  
22

Fund is a prohibited financial asset (within the meaning of section 5 of  
23 the *Future Fund Act 2006*, as inserted by this Schedule).

24  
(2)

The Future Fund Board must realise the asset within 12 months after the  
25 day this Schedule commences.

26

#### **42 Transitional provision--existing investments in prohibited**

27

##### **Building Australia Fund financial assets**

28

(1)

This item applies if, on the day this Schedule commences, a financial  
29

asset held by the Future Fund Board as an investment of the Building  
30

Australia Fund is a prohibited Building Australia Fund financial asset  
31

##### **Amendments Schedule 1**

*Government Investment Funds Amendment (Ethical Investments) Bill 2011 No. , 2011*  
17

(within the meaning of section 4 of the *Nation-building Funds Act 2006*,  
1 as inserted by this Schedule).

2

(2)

The Future Fund Board must realise the asset within 12 months after the  
3 day this Schedule commences.

4

#### **43 Transitional provision--existing investments in prohibited**

5

##### **Education Investment Fund financial assets**

6

(1)

This item applies if, on the day this Schedule commences, a financial  
7

asset held by the Future Fund Board as an investment of the Education  
8

Investment Fund is a prohibited Education Investment Fund financial  
9

asset (within the meaning of section 4 of the *Nation-building Funds Act*  
10 *2006*, as inserted by this Schedule).

11

(2)

The Future Fund Board must realise the asset within 12 months after the  
12 day this Schedule commences.



13

**44 Transitional provision--existing investments in prohibited**

14

**Health and Hospitals Fund financial assets**

15

(1)

This item applies if, on the day this Schedule commences, a financial

16

asset held by the Future Fund Board as an investment of the Health and

17

Hospitals Fund is a prohibited Health and Hospitals Fund financial asset

18

(within the meaning of section 4 of the *Nation-building Funds Act 2006*,

19

as inserted by this Schedule).

20

(2)

The Future Fund Board must realise the asset within 12 months after the

21

day this Schedule commences.

22



## Approved MPF Trustees

Name of Trustee ( In English )	Name of Trustee ( In Chinese )
Ageas Trustees (HK) Limited	富通信託(香港)有限公司
American International Assurance Company (Trustee) Limited	美國友邦 (信託) 有限公司
AXA China Region Trustees Limited	安盛信託有限公司
AXA Financial Services Trustees Limited	安盛理財策劃信託有限公司
Bank Consortium Trust Company Limited	銀聯信託有限公司
Bank of Communications Trustee Limited	交通銀行信託有限公司
Bank of East Asia (Trustees) Limited	東亞銀行 (信託) 有限公司
BOCI-Prudential Trustee Limited	中銀國際英國保誠信託有限公司
China Life Trustees Limited	中國人壽信託有限公司
Cititrust Limited	
HSBC Institutional Trust Services (Asia) Limited	匯豐機構信託服務(亞洲)有限公司
HSBC Provident Fund Trustee (Hong Kong) Limited	
ING Pension Trust Limited	
Manulife Provident Funds Trust Company Limited	宏利公積金信託有限公司
MassMutual Trustees Limited	美國萬通信託有限公司
Principal Trust Company (Asia) Limited	信安信託 (亞洲) 有限公司
RBC Dexia Trust Services Hong Kong Limited	加皇達亞信託香港有限公司
Royal Bank of Canada Trust Company (Asia) Limited	加拿大皇家銀行信託 (亞洲) 有限公司
Sun Life Trustee Company Limited	永明信託有限公司

10<sup>th</sup> December 2011

Dear Sir,

### **Mandatory Provident Fund – Trustee investments in tobacco stocks**

We hereby request all the approved trustees of the MPFA scheme to provide us with a copy of their financial reports published by the said trustees in respect of the MPF scheme, which contain the details of investments held by the constituent funds offered by the scheme.

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Specifically we are seeking information on your investments in tobacco related stocks. It seems obvious from information received that certain Hong Kong MPF Trustees have unethical investments in tobacco stocks which is contrary to the FCTC Treaty Article 5.3 Guidelines subsection 4.7. Perhaps you were not aware that-

**The said international instrument treaty binds Hong Kong Government and thereby all its subcontractors and bodies.**

The University of Hong Kong 1998 study shows that the cost to the Hong Kong taxpayer to treat the ravages of tobacco and lost productivity are HK\$ 5.3 billion per year (at 1998 treatment costs) and that when the loss of life is taken into consideration the cost to Hong Kong society is HK\$ 73 billion per year. Let us know if you want a copy of the study.

It makes little sense for MPF trustees to invest in a lethal product that kills 50% of its users when used according to the manufacturers' instructions and then have the Hong Kong Government fund the cost of treating the tragic results.

Furthermore the Tobacco Plain Packaging domino that will spread around the world has already commenced in Australia so tobacco stocks will no longer be the grim reapers' best investments

[http://www.who.int/fctc/guidelines/article\\_5\\_3.pdf](http://www.who.int/fctc/guidelines/article_5_3.pdf)

**4.7 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.**

We provide herewith self explanatory information whereby divestment in Tobacco stocks is the best course of action :

<http://www.fool.com/investing/dividends-income/2011/06/27/time-to-quit-big-tobacco-dividends.aspx>

## Time to Quit Big Tobacco Dividends

By [Chris Baines](#) | [More Articles](#) June 27, 2011 |

Riding the U.S. tobacco gravy train has been one of the most reliable ways for an investor to get rich over the past century. Wharton's Jeremy Siegel reports that **Altria** (NYSE: [MO](#)) , formerly Philip Morris, was the best performing stock in the S&P 500 from 1957 to 2003. I believe him: They've been some of my best buys [on CAPS](#). But all good things -- or bad depending on your perspective -- must eventually draw to a close. Such is the case with U.S. tobacco stocks today. I think we are at a crossroads and it's finally time to call 'em quits.

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### **Quit your tobacco dividend addiction**

U.S. tobacco stocks have historically appealed to investors because of their dividend yields of 5% or more coupled with reliable dividend increases. But now there is reason to think those dividends are -- or soon will be -- under pressure, and simply aren't worth the risk anymore.

For the first time in the last decade, Altria's free cash flow could not cover its dividend payments last year. America's largest domestic tobacco company paid out \$2.96 billion in dividends while only generating \$2.6 billion in free cash flow. The gap was made up by the issuance of equity and debt.

Now, I'm sure an observant reader will point out that 2010's result was an aberration due to a one-time \$945 million Internal Revenue Service payment and that Altria's continuing profitability cannot be judged by it.

I totally get that (and good for you for knowing that), but even if we add back the IRS payment, the free cash flow yield is a paltry 6.3%. That provides a dangerously thin margin to be supporting a 5.7% dividend yield. **Reynolds American** (NYSE: [RAI](#)) is in a similar pickle, supporting its own dividend yield of 5.7% with a free cash flow yield of 3.6%. **Lorillard** (NYSE: [LO](#)) has more headroom.

### **There are better alternatives**

Besides, a 5.7% yield (what Altria and Reynolds both offer, and Lorillard 4.7%) simply doesn't cut it anymore. I can get that from safer telcos like **Verizon**

**Communications** (NYSE: [VZ](#)) or **AT&T** (NYSE: [T](#)), which sell their own form of addictive product. And unlike big tobacco, those two companies have ample free cash flow yields (a whopping 16.6% for Verizon and 8.1% for AT&T) to cover their dividend yields of 5.4% and 5.7%, respectively, while funding future growth.

Another alternative is junk bonds. Don't laugh. Altria, Reynolds, and Lorillard are practically junk bonds themselves, since they have a risky future, pay out most of their expected return, and have, dare I say, a finite lifetime. Junk bond ETFs like the **SDPR Barclays Capital High Yield** (NYSE: [JNK](#)) offer yields of around 8%. And they're more diversified to boot.

Last but not least, what about **Coca-Cola** (NYSE: [KO](#)) or **PepsiCo** (NYSE: [PEP](#))? They're trading at nearly identical free cash flow ratios as the tobacco companies (4.9% and 4.8%, respectively), which I've argued matters more than dividend yields. Why would I buy a moribund Altria or Reynolds when I can buy a Coke or Pepsi at a similar valuation? Plus you still get a roughly equal payout when you factor in share buybacks.

### **A picture is worth a thousand words**

But there is another reason to stay away from U.S. tobacco dividends. Starting in fall 2012, tobacco companies will have to start putting horrific pictures on every cigarette carton. While I personally doubt this will have an effect on pre-existing smokers, I do think this will discourage a great many kids from taking it up. And without new customers, big tobacco and their big dividends eventually bite the dust.

The Campaign for Tobacco-Free Kids -- an interest group that lobbies against tobacco companies -- has put together an informative factsheet detailing the effectiveness of pictorial labeling requirements in the 35 countries that already have them.



More than 90% of Canadian youths report that pictorial labels make smoking seem less attractive. When a second set of pictorial labels was introduced in Thailand in 2006, 53% of smokers said it made them think "a lot" about the health risks, and 44% of smokers said they were "a lot" more likely to quit over the next month. When Brazil introduced new picture warnings, 67% of smokers said it made them want to quit. When pictorial labels were introduced in Australia, the number of smokers who called the quit line doubled.

### **Just Say NO**

Like their products, big tobacco's stocks are just too expensive and just too dangerous. These companies pay out most everything in a dividend, retaining almost nothing for growth, and 4.7% to 5.7% just isn't a high enough return given the risk. **There are better (and ethical) alternatives for your money**

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[http://www.smoke-free.ca/eng\\_home/2011/news\\_press\\_20\\_October\\_2011.htm](http://www.smoke-free.ca/eng_home/2011/news_press_20_October_2011.htm)

Press Release

Ottawa - October 20, 2011

## **Alberta moves away from tobacco investments**

Health group calls for other governments to protect health and protect pension investments by adopting investment policies against tobacco stocks.

PSC welcomes today the news that the Alberta government had directed the Alberta Investment Management Corporation (AIMCo) to sell-off its direct ownership of tobacco companies.

"Government investments in tobacco companies are wrong-headed on many fronts," explained Cynthia Callard, PSC's executive director. "The initial share offerings provide tobacco companies with the resources to expand their markets and harm new communities. Continued shareholdings push tobacco companies to generate profits through sustained or increased sales."

PSC has long called for all government investment boards, and especially the Canada Pension Plan Investment Board, to stop investing in tobacco companies. This position is supported by the Framework Convention on Tobacco Control, to which Canada is party. The FCTC directs governments to protect public health from tobacco industry interference and recommends that no state agency be involved in tobacco company ownership outside of state monopolies.

"The Alberta government deserves praise for being the first Canadian government to acknowledge, however tacitly, **that part-ownership of profit-seeking tobacco companies is inconsistent with its responsibility to protect health,**" said Callard.

A PSC review of institutional ownership of tobacco stocks last year found that Canadians owned more than \$2 billion in tobacco industry shares of the 4 largest companies, and received more than \$90 million in dividend payments from the profits of tobacco sales, including at least \$36 million from sales in developing countries.

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**About 25% of these shareholdings were direct ownership by investment firms under government control.**

"Many countries do not put pension funds in any form of stock market investment. Those that do **should follow the example of Norway, New Zealand and Alberta** and ensure that pension investments do not worsen the global tobacco epidemic."

For information:

Cynthia Callard, Executive Director, 613 233 4878

Canadian institutional ownership of the "big four" tobacco companies Share-holdings by government-managed pension and private institutional investors, January 2011

\* Public Pensions & Tobacco Public pension investments in and revenues from global tobacco sales, 2010

B.C. Government investments in tobacco. British Columbia Investment Corporation investments in and revenues from global tobacco sales, 2010

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[http://en.wikipedia.org/wiki/The\\_Government\\_Pension\\_Fund\\_of\\_Norway](http://en.wikipedia.org/wiki/The_Government_Pension_Fund_of_Norway)

## **The Ethical Council NORWAY**

Part of the investment policy debate is related to the discovery of several cases of investment by The Petroleum Fund in highly controversial companies, involved in businesses such as arms production and tobacco. The Petroleum Fund's Advisory Council on Ethics was established 19 November 2004 by royal decree. Accordingly, the Ministry of Finance issued a new regulation on the management of the Government Petroleum Fund which also includes ethical guidelines.

**On 19 January 2010 the Ministry of Finance announced that 17 tobacco companies had been excluded from the fund.[9] The total divestment from these companies was USD 2bn (NOK 14.2bn), making it the largest divestment caused by ethical recommendations in the history of the fund.[10]**

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<http://www.nzsuperfund.co.nz/news.asp?pageID=2145831983&RefID=2141735292> NEW ZEALAND

## **GNZS to Divest Tobacco Stocks (23 October)**

Posted On: Tuesday, 23 October 2007

**Auckland (23 October 2007)** - The Guardians of New Zealand Superannuation today announced their intention to divest tobacco stocks from the New Zealand Superannuation Fund. As at 30 June 2007, the Fund held \$37.6 million invested in tobacco stocks on its segregated portfolio, equivalent to 0.29% of total assets.

**The divestment decision was made following an assessment of the tobacco sector against the Guardians' responsible investment**

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**framework.** The Guardians apply a set of guidelines that enable the assessment of the Fund's investments for environmental, social, and governance issues against relevant international conventions, New Zealand law, and Crown actions.

If an issue is identified as breaching the Guardians' responsible investment standards, the Guardians then assess the most appropriate response for the Fund. The Guardians' preference is to engage with a company or industry sector as a responsible shareholder, and in concert with other likeminded investors. If engagement is assessed to be ineffective, then exclusion or divestment will be considered.

The Guardians' Chief Executive Officer, Mr Adrian Orr said **"In assessing the issue of tobacco manufacture, the Board concluded that the Fund's investment in this sector was inconsistent with our responsible investment standards. This decision was based on product safety issues and New Zealand's commitment to specific international conventions."**

While our preferred approach to responsible investment issues is to engage with the company or sector, in the case of tobacco manufacture we determined that this would be in conflict to the long-term goals of a shareholder, and **inconsistent with New Zealand commitments to international conventions, in particular the objectives of the World Health Organisation Framework Convention on Tobacco Control. As a result, the Board resolved to divest from the sector.**

The decision to divest from tobacco stocks should not be seen as a precedent for future decisions or actions. The Guardians have a transparent framework for responsible investment assessment. Recent international experience in this area highlights that engagement with companies, in concert with other investors, is often the most effective means by which to improve company policies, products and practices, within the sphere of shareholder influence.

The Guardians continue to assess other industry issues," concluded Mr Orr.

Yours faithfully,

*James Middleton*

Chairman  
Clear the Air NGO and Charity



Addressee list:

Name of Trustee ( In English )	Ageas Trustees (HK) Limited
Name of Trustee ( In Chinese )	富通信託(香港)有限公司
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Principal Business Ph. No.	25918888 *
Principal Business Fax No.	<b>28385303</b>
Name of Trustee ( In English )	American International Assurance Company (Trustee) Limited
Name of Trustee ( In Chinese )	美國友邦 (信託) 有限公司
Principal Business Add.	5/F Cornwall House, Taikoo Place 979 King's Road Quarry Bay, Hong Kong 香港鰂魚涌英皇道九七九號 太古坊康和大廈五樓
Principal Business Ph. No.	28321800 *
Principal Business Fax No.	<b>25724695</b>
Name of Trustee ( In English )	AXA China Region Trustees Limited
Name of Trustee ( In Chinese )	安盛信託有限公司
Principal Business Add.	20th Floor, AXA Centre 151 Gloucester Road Wanchai, Hong Kong 香港灣仔告士打道 151 號 安盛中心 20 樓
Principal Business Ph. No.	28022812 *
Principal Business Fax No.	<b>31832168</b>
Name of Trustee ( In English )	AXA Financial Services Trustees Limited
Name of Trustee ( In Chinese )	安盛理財策劃信託有限公司
Principal Business Add.	20th Floor, AXA Centre 151 Gloucester Road Wanchai, Hong Kong 香港灣仔告士打道 151 號 安盛中心 20 樓
Principal Business Ph. No.	28022812 *
Principal Business Fax No.	<b>25119559</b>

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Name of Trustee ( In English )	Bank Consortium Trust Company Limited
Name of Trustee ( In Chinese )	銀聯信託有限公司
Principal Business Add.	18/F, Cosco Tower 183 Queen's Road Central Hong Kong 香港中環皇后大道中 183 號 中遠大廈 18 樓
Principal Business Ph. No.	22989800 *
Principal Business Fax No.	<b>25200909</b>

Name of Trustee ( In English )	Bank of Communications Trustee Limited
Name of Trustee ( In Chinese )	交通銀行信託有限公司
Principal Business Add.	1/F, Far East Consortium Building 121 Des Voeux Road Central Hong Kong 香港中環德輔道中一百二十一號 遠東發展大廈一樓
Principal Business Ph. No.	28544998 *
Principal Business Fax No.	<b>28540880</b>

Name of Trustee ( In English )	Bank of East Asia (Trustees) Limited
Name of Trustee ( In Chinese )	東亞銀行 (信託) 有限公司
Principal Business Add.	32/F, BEA Tower, Millennium City 5 418 Kwun Tong Road, Kwun Tong Kowloon, Hong Kong 香港九龍觀塘道 418 號 創紀之城五期東亞銀行中心 32 樓
Principal Business Ph. No.	36080688 *
Principal Business Fax No.	<b>36086008</b>

Name of Trustee ( In English )	BOCI-Prudential Trustee Limited
Name of Trustee ( In Chinese )	中銀國際英國保誠信託有限公司
Principal Business Add.	12/F & 25/F, Citicorp Centre 18 Whitfield Road Causeway Bay, Hong Kong 香港銅鑼灣威非路道 18 號 萬國寶通中心 12 及 25 字樓
Principal Business Ph. No.	22901000 *
Principal Business Fax No.	<b>21519888</b>

Name of Trustee ( In English )	China Life Trustees Limited
Name of Trustee ( In Chinese )	中國人壽信託有限公司

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Principal Business Add.	Room 2002, 20/F. CLI Building, 313 Hennessy Road,, Wan Chai,, Hong Kong. 香港 灣仔軒尼詩道三百一十三號中國人壽大廈二十樓二 零零二室
Principal Business Ph. No.	2545 8111 *
Principal Business Fax No.	<b>2544 4395</b>

Name of Trustee ( In English )	Cititrust Limited
Name of Trustee ( In Chinese )	
Principal Business Add.	55/F, One Island East 18 Westlands Road, Island East Hong Kong 香港港島東華蘭路十八號 港島東中心五十五樓
Principal Business Ph. No.	28688888 *
Principal Business Fax No.	<b>23237499</b>

Name of Trustee ( In English )	HSBC Institutional Trust Services (Asia) Limited
Name of Trustee ( In Chinese )	匯豐機構信託服務(亞洲)有限公司
Principal Business Add.	17/F, Tower 2&3, HSBC Centre, 1 Sham Mong Road Kowloon, Hong Kong 香港九龍深旺道 1 號 匯豐中心第 2 及 3 座 17 樓
Principal Business Ph. No.	36637000 *
Principal Business Fax No.	<b>34092608</b>

Name of Trustee ( In English )	HSBC Provident Fund Trustee (Hong Kong) Limited
Name of Trustee ( In Chinese )	
Principal Business Add.	6/F, Tower 1, HSBC Centre, 1 Sham Mong Road Kowloon, Hong Kong 香港九龍深旺道 1 號 匯豐中心 1 座 6 樓
Principal Business Ph. No.	36637000 *
Principal Business Fax No.	<b>28105259</b>

Name of Trustee ( In English )	ING Pension Trust Limited
Name of Trustee ( In Chinese )	

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Principal Business Add.	8/F, ING Tower 308 Des Voeux Road Central Hong Kong 香港中環德輔道中三零八號 安泰金融中心八樓
Principal Business Ph. No.	28515222 *
Principal Business Fax No.	<b>28515293</b>

Name of Trustee ( In English )	Manulife Provident Funds Trust Company Limited
Name of Trustee ( In Chinese )	宏利公積金信託有限公司
Principal Business Add.	22/F., Manulife Financial Centre 223-231 Wai Yip Street, Kwun Tong Kowloon, Hong Kong 香港九龍觀塘偉業街 223-231 號 宏利金融中心 22 樓
Principal Business Ph. No.	25105600 *
Principal Business Fax No.	<b>21043504</b>

Name of Trustee ( In English )	MassMutual Trustees Limited
Name of Trustee ( In Chinese )	美國萬通信託有限公司
Principal Business Add.	4/F, MassMutual Tower 38 Gloucester Road Wanchai, Hong Kong 香港灣仔告士打道 38 號 美國萬通大廈 4 樓
Principal Business Ph. No.	29199115 *
Principal Business Fax No.	<b>29199233</b>

Name of Trustee ( In English )	Principal Trust Company (Asia) Limited
Name of Trustee ( In Chinese )	信安信託 (亞洲) 有限公司
Principal Business Add.	11/F, Island Place Tower, 510 King's Road,, North Point,, Hong Kong. 香港 北角英皇道 510 號港運大廈 11 樓
Principal Business Ph. No.	2827 1628 *
Principal Business Fax No.	<b>2827 1618</b>

Name of Trustee ( In English )	RBC Dexia Trust Services Hong Kong Limited
Name of Trustee ( In Chinese )	加皇達亞信託香港有限公司
Principal Business Add.	Floor 51, Central Plaza

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	18 Harbour Road Wanchai, Hong Kong 香港灣仔港灣道 18 號 中環廣場 51 樓
Principal Business Ph. No.	29785656 *
Principal Business Fax No.	<b>28450390</b>

Name of Trustee ( In English )	Royal Bank of Canada Trust Company (Asia) Limited
Name of Trustee ( In Chinese )	加拿大皇家銀行信託 (亞洲) 有限公司
Principal Business Add.	1702A Cheung Kong Center 2 Queen's Road Central Hong Kong 香港中環皇后大道中 2 號 長江集團中心 17 樓 1702A 室
Principal Business Ph. No.	28483107 *
Principal Business Fax No.	<b>25212968</b>

Name of Trustee ( In English )	Sun Life Trustee Company Limited
Name of Trustee ( In Chinese )	永明信託有限公司
Principal Business Add.	12/F, China Resources Building 26 Harbour Road Wanchai, Hong Kong 香港灣仔港灣道 26 號 華潤大廈 12 樓
Principal Business Ph. No.	28614000 *
Principal Business Fax No.	<b>28656837</b>

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