



Office of Hon Bill English

MP for Clutha-Southland
Deputy Prime Minister

Minister of Finance
Minister for Infrastructure

10 OCT 2011

- received 11 Oct 2011

Mary Wareham
Coordinator
Aotearoa New Zealand Cluster Munition Coalition
200 Oriental Parade
WELLINGTON 6011

Dear Mary Wareham

Thank you for your letter of 2 September 2011 in regard to the Cluster Munitions Prohibition Act 2009.

You have suggested legislative changes to the Cluster Munitions Prohibition Act and its administration. This Act falls within the portfolio responsibilities of Hon Georgina Te Heuheu, Minister for Disarmament and Arms Control to whom you have also written.

You have requested that all New Zealand investors, in particular the Crown Financial Institutions (GSF Authority, NZ Super Fund, ACC and EQC), disinvest from companies associated with cluster munitions in accordance with the Act.

I gather that you have some familiarity with the framework within which the Crown Financial Institutions (CFIs) operate in relation to responsible investment issues. You may therefore be aware of some of the reasons why these independent Government investment boards were given responsibility for determining their own investment strategies.

Specifically, these arrangements were designed to ensure that investment decisions are made by independent investment experts, removed from the political arena.

Nonetheless, while the legal arrangements differ, all major CFIs have a framework for considering issues relating to responsible investment. These frameworks include the requirement that the CFI, in making its investments, avoid prejudice to New Zealand's reputation as a responsible member of the world community. All the major CFIs have produced responsible investment policies, which are included in their statement of investment policies, standards and procedures; all are signatories to the United Nations Principles for Responsible Investment (UN PRI).

While each CFI has its own priorities and makes its own decisions on responsible investment issues, these organisations have now entered into a collaborative arrangement whereby they can share analysis, reduce costs and, where appropriate, collectively engage with companies which are found to be operating contrary to their responsible investment policies. This arrangement allows the other CFIs to benefit from

the dedicated responsible investment resources of the Guardians of New Zealand Superannuation (the Guardians); the Guardians are responsible for the management of the NZ Super Fund.

I note that the Guardians' responsible investment policies and exclusions are published on its website www.nzsuperfund.co.nz. In addition, cluster munitions are specifically mentioned on the website which states:

"The Guardians have directed their external investment managers to exclude from the Fund the securities of companies involved in the manufacture of cluster munitions. The Guardians have previously divested from any holdings in such securities. The directive to investment managers follows the signing of the Cluster Munitions Convention by New Zealand on 3 December 2008. A list of companies excluded can be found [here](#). This list is regularly reviewed and updated with information from our external screening agencies."

I would also note that investment activity is ultimately the responsibility of the respective CFI Boards, within the bounds of their respective legislation.

Lastly, I think we do need to recognise that the development and application of appropriate responsible investment guidelines will always be to some extent a process of evolution. In a pluralistic society it is also inevitable that opinions on ethical issues will differ. I hope that you will appreciate, however, that all CFI Boards have made, and continue to make, a concerted effort to address these concerns.

Thank you for taking the opportunity to write.

Yours sincerely



Hon Bill English
Minister of Finance