

ESTIMATES BRIEF – Hot Issue

Supplementary Budget Estimates – October 2025

ESG AND INVESTMENT ISSUES**Future Fund Investment Issues****Subject/Issue**

The Future Fund Board of Guardians' investment decisions and disclosures.

Key facts and figures

- The Future Fund Board of Guardians (Board) invests independently from the Government.
- The Board's long-term investment strategy is consistent with its obligations under the *Future Fund Act 2006* (Act), its Investment Mandate and Australian law and sanctions.
- The Act requires the Board to maximise returns over the long term, consistent with best practice for institutional investment. The Investment Mandate also requires the Board to have regard to national priorities where possible.
- The Future Fund publishes a Responsible Investor Policy which sets out the Boards position on responsible investment.
- This position is reflected in a new investment belief: That integrating environment, social and governance considerations, including climate change, as a Responsible Investor enhances long-term returns and the Future Fund's reputation.
- The Future Fund is required to invest through external investment managers, except in relation to certain Australian infrastructure and property investments.
- Before deciding to manage an investment internally the Board must be satisfied that the Future Fund Management Agency (Agency) has the right skills resources, processes, and technologies; and that it is cost effective to do so.
 - There were no internally managed investments in 2024-25.

Key points

- The Board is responsible for deciding how to invest the Australian Government's investment funds, consistent with primary legislation and Investment Mandates, including national priorities.

ESG AND INVESTMENT ISSUES

- This independence has received bipartisan support since the Future Fund was established in 2006.
- The Future Fund Board of Guardians applies its environmental, social and governance policy (ESG) by integrating consideration of ESG risks into its processes, actively engaging with companies on ESG matters and exercising voting rights.
- The Board has explicit investment exclusions for:
 - activities that are banned through international conventions and treaties ratified by Australia (including for relevant sanctions on Russia)
 - entities that manufacture complete tobacco products.
- The Board has due diligence processes in place to ensure it does not make investments that breach Australian sanctions and will continue to abide by any new sanctions introduced by the Government. The Board has implemented all relevant sanctions on Russia that have been imposed by Australia, the United States, and the European Union.
- There has been interest from Senators and the media in the Future Fund's investments in certain companies in the fossil fuel, gambling, and weapons industries. There are no Government sanctions on such investments and each investment decision is made by the independent Board, having regard to its legislated objectives and investment mandate.
 - The Board has faced criticism over the last few years for its investment in Elbit Systems which is the primary provider of the Israeli military land-based equipment.
 - Although the value of the Future Fund's shares in Elbit Systems increased over time, the Future Funds periodic reporting show that the Fund's actual holdings in Elbit Systems have reduced over the period from 31 December 2024 to 30 June 2025.

Reporting and disclosures

- The Future Fund Board of Guardians' ESG policy, called the Responsible Investment Policy, and the current list of excluded companies (last updated in September 2025) are published on the Future Fund website.
- The Board discloses detailed information about its portfolio through its annual report, quarterly portfolio updates and periodic investment reports.
- The 30 June 2025 periodic investment report is available on the Future Fund website.

ESG AND INVESTMENT ISSUES

- Under the Australian Government's Commonwealth Climate Disclosure Policy, the Agency will be required to disclose climate-related information in its 2024–25 annual report. In this first climate disclosure, the Agency will report against the 'Year 1 Commonwealth Climate Disclosure Requirements'.

ESG AND INVESTMENT ISSUES

Background

The Board has built a broadly diversified portfolio which includes investments in thousands of entities globally. The Board's limited exclusions keep the investment universe large, which helps in achieving its legislated objective to maximise returns over the long term while also managing risk in line with investment mandates issued by the responsible Ministers.

Environmental, Social and Governance (ESG) considerations and investment exclusions

The Future Fund Board of Guardians integrates ESG into its decision-making process by assessing the potential impacts of ESG matters on the risk and return of the portfolio. The board also exercises its ownership rights associated with investments according to the board's ESG policy, which considers human and labour rights, climate change, sustainable supply chain, corruption, and bribery.

The board recently adopted a new investment belief that integrating ESG considerations, including climate change, enhances long-term returns and the board's reputation. This is reflected in the updated ESG policy called the Responsible Investment Policy which is published on the Future Fund website.

The Responsible Investment Policy sets out the board's approach to responsible investment and provides a framework for implementing the board's responsible belief across the investment portfolio. The policy includes the following responsible investments priorities that are integrated into the board's investment research, stewardship, and industry collaboration activities:

- climate change
- responsible technology
- and nature and biodiversity.

The Future Fund Board of Guardians has processes in place to ensure it does not make investments that breach Australian sanctions and will continue to abide by any new sanctions introduced by the Australian Government. The economic activities that are currently subject to these exclusions relate to controversial weapons and include cluster munitions, anti-personnel mines, selected nuclear weapons, chemical weapons, and biological weapons.

Australia has not signed the Treaty on the Prohibition of Nuclear Weapons, so it is not a treaty that the board has regard to under its ESG policy.

The Responsible Investment Policy (published on the Future Fund website) also provides a framework to assist the board to determine if any entities and sectors should be excluded from the investment portfolio for non-financial reasons.

The Board has chosen to restrict investments in entities directly involved in the manufacture of complete tobacco products as it has the view that there is no safe level of usage.

Senators and the media regularly raise concerns regarding the Future Fund Board of Guardians' investments in certain companies in the fossil fuel, gambling, and weapons industries. There are no Australian Government sanctions on these industries.

The current coverage and scope of the Future Fund's investment exclusions is outlined in the below table.

ESG AND INVESTMENT ISSUES

Future Fund Investment Exclusions

Economic Activity	Basis for exclusion	Criteria
Controversial weapons		
Cluster Munitions	2008 Convention on Cluster Munitions	Develop or produce
Anti-Personnel Mines	1997 Convention on the Prohibition of Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction	Develop or produce
Nuclear Weapons	1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT) 1985 South Pacific Nuclear Free Zone Treaty	Develop or produce weapons or supporting technology in non-nuclear states Operate peaceful nuclear technologies in states not party to the NPT or International Atomic Energy Agency safeguards
Chemical Weapons	1993 Convention on the Prohibition of the Development, Stockpiling and Use of Chemical Weapons and on their Destruction and Annexes	Develop or produce
Biological Weapons	1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction	Develop or produce
Tobacco		
Primary Tobacco Production	Undisputed health consequences, including serious illness and increased risk of death, and that the consumption of tobacco is not safe in any quantity	Produce

Supporting information**Questions on Notice**

- No QoNs asked

Freedom of Information (FOI) Requests

- Since the last senate estimates hearings, the Future Fund Management Agency has received one relevant FOI request. FOI 54. 'Documents relating to meetings with certain companies.' The Agency released documents with partial redactions in accordance with the legislation on 4 April 2025.
- All FOI responses are available on the [Future Fund's FOI disclosure log](#).
- There have been no applicable FOI requests for the Department of Finance since the last estimates hearings.

Recent Ministerial Comments

- Nil

ESG AND INVESTMENT ISSUES**Relevant Media Reporting**

- [Australia's Future Fund discloses huge profits from weapons manufacturers despite fierce criticisms of support for industry,](#) The Guardian, 30 September 2025
- [Future Fund drops Dexus as stake manager](#), Australian Financial Review, 19 June 2025

Date sent to MO: 3/10/2025
Cleared by (SES): Richard Windeyer
Telephone No: 6215 3463
Group/Division: Commercial Group / Commercial Investments
Contact Officer: Fotos Andreou
Telephone No: 6215 2636
Consultation: Nil
PDR Number: SB25-000184