

MEDIA RELEASE

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RIAA welcomes NZ Government announcement that KiwiSaver Default funds will be required to exclude fossil fuels and embed RI

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In a world first, welcomed by RIAA, the NZ Government will require default pension funds to exclude investments in fossil fuel producers.

The Responsible Investment Association Australasia (RIAA) welcomes the announcement by the NZ government that will see the New Zealand pension system take strong steps to ensure New Zealanders auto-enrolled in a default KiwiSaver funds will not be invested in companies producing fossil fuels in addition to other strong mandated requirements for responsible investment commitments, starting June 2021.

This announcement comes at a time when there is increased recognition that the financial services sector must play a strong role in supporting the transition to a low carbon world, with ever greater numbers of investors setting in place 2050 emissions reductions targets, in line with global goals under the Paris Agreement.

This is a world first whereby default pensions will be mandated under law to exclude fossil fuels from portfolios, aligning with New Zealand's strong commitments to take action under the Paris Agreement.

Simon O'Connor, CEO of RIAA said: "RIAA welcomes this strong announcement by the NZ Ministers for Finance and Commerce and Consumer Affairs that will embed responsible investment into default KiwiSaver funds, consistent with RIAA's own calls made in our submission to this review process."

"This announcement recognises that investors who have strong commitments to a responsible investment including tackling climate change risks in their portfolios deliver better client outcomes."

"The announcement recognises the critical role finance has to play to protect retirement savings from the risks of climate change, at a time when regulators globally are increasingly warning of the financial risks posed by unmitigated climate change, when ever more investors are lessening their exposure to fossil fuels and when consumers are increasingly stating their own savings should not be supporting environmentally harmful businesses."

When asked, 83% of New Zealanders expect their KiwiSaver funds to be invested responsibly and ethically, with a high level of concern that their investments are not exposed to socially and environmentally harmful industries, according to consumer research undertaken by RIAA and Mindful Money [<https://responsibleinvestment.org/nz-consumer-research/>]

RIAA also welcomes in the announcement:

- that all default providers will be required to maintain a responsible investment policy to be made publicly available
- that providers will be required to engage with their members to help them make informed decisions about their retirement savings. RIAA believes that to do this well will require engaging on the sustainability and ethical preferences of clients, in a manner recently mandated in EU and UK
- formally enshrining the requirements of excluding illegal weapons in default fund offerings, in addition to the fossil fuel exclusions.

This is a strong and sound move by the government that ensures finance is better aligned with the national goals under the Paris Agreement whilst protecting consumers by ensuring KiwiSaver default funds include consideration of responsible investment, a strategy that is demonstrated to deliver better investment outcomes.

With 72% of the NZ investment industry having in place some commitment to responsible investment already - including wide spread exclusions across controversial weapons and tobacco - the industry is well placed to take up these requirements to more deeply embed responsible investment and implement fossil fuel exclusions.

“This announcement highlights that the benchmark of expected practice in financial services is rapidly lifting to include strong action on climate change, including the exclusion of the highest emitting fossil fuels.” Said Simon O’Connor.

RIAA’s submission to the Treasury and Ministry of Business, Innovation and Employment (MBIE) KiwiSaver review can be found here:

<https://www.mbie.govt.nz/dmsdocument/7361-responsible-investment-association-australasia-review-of-kiwisaver-default-provider-arrangements-submission-pdf>

For more information, please Simon O’Connor 0401 360 500

ABOUT RIAA:

- The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.
- With over 280 members managing more than \$9 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand.