

There should be a duty for default funds to meet the needs of the public. People generally do not choose to go into default KiwiSaver funds. They are allocated to a default fund.

Evidence shows there is strong public demand for KiwiSaver funds to be managed responsibly. The strongest evidence comes from the 2018 public survey by Mindful Money and the Responsible Investment Association of Australasia (RIAA), undertaken by Colmar Brunton. It says that 72% of the public expect their investments to be managed responsibly.

Since the KiwiSaver scheme is a government intervention, default funds should be consistent with New Zealand's obligations under international treaties. For example, this means that default funds should not be invested in prohibited weapons that are inconsistent with government policy.

A duty should be placed on default KiwiSaver funds to be consistent with New Zealand laws and avoid damaging our reputation. This is similar to the duty placed on the New Zealand Superannuation Funds and other Crown Financial Institutions.

This duty has been interpreted by the NZ Super Fund as requiring exclusions to avoid damaging investments in areas such as tobacco; cluster bombs, landmines and nuclear weapons; serious environmental and human rights violations; and high risk fossil fuels companies.

A similar list of exclusions should be adopted by default funds.

Most KiwiSaver funds already have some form of exclusion, such as KiwiSaver and controversial weapons, so this obligation on default funds will not add much of a burden on providers.

The selection of KiwiSaver default providers should include criteria on how strong and credible their responsible investing practices are, not only exclusions but also environmental, social and governance (ESG) management of all investments and engagement with companies to improve their standards. Certification by RIAA and inclusion on Mindful Money's platform are examples of verification that shows the funds are credible.

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