

Submission on discussion document: Enabling KiwiSaver investment in private assets

Your name and organisation

Name	Tori Huggins
Date	14 February 2025
Organisation (if applicable)	Responsible Investment Association Australasia
Contact details	tori@responsibleinvestment.org

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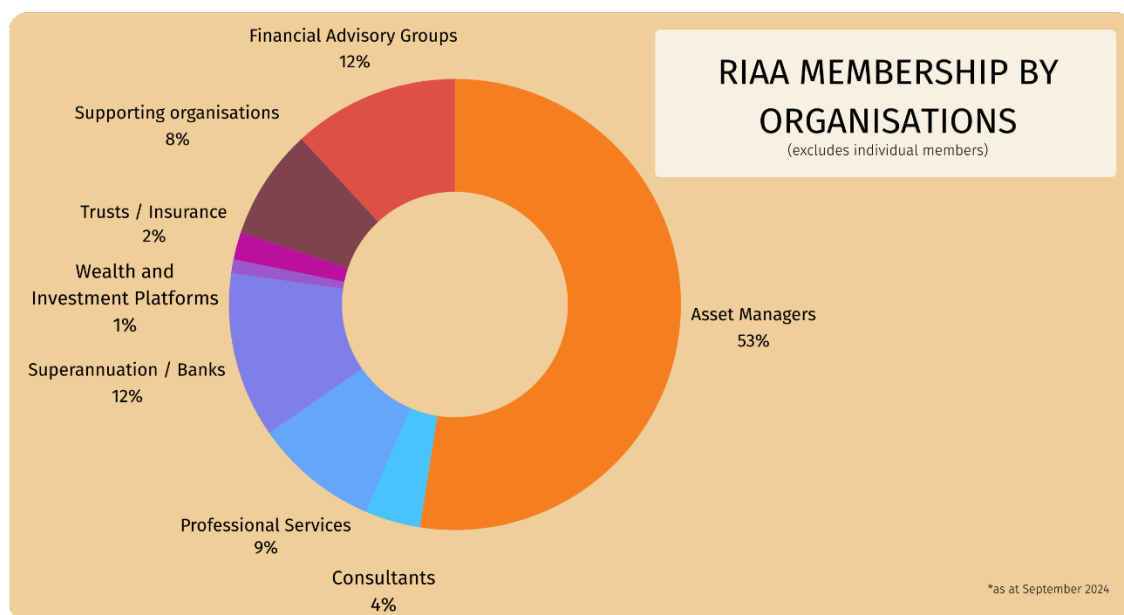
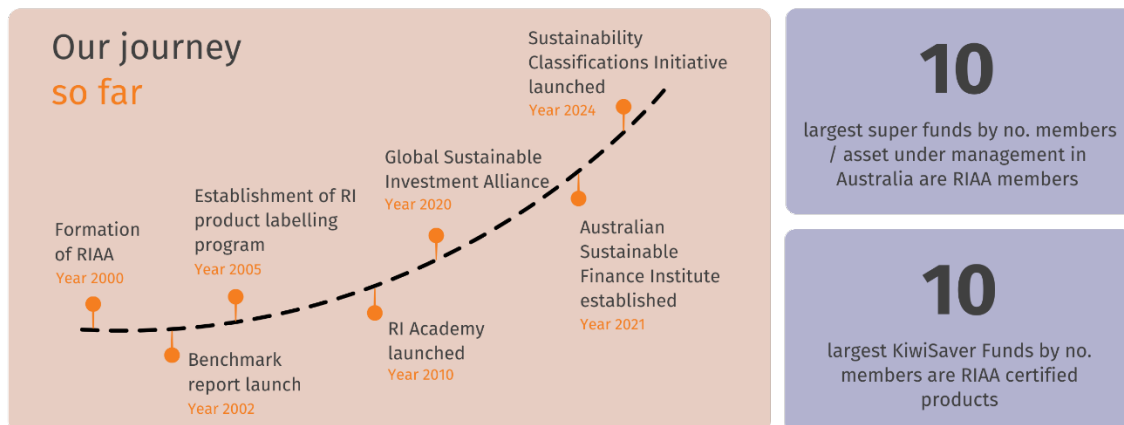
N/A

Responses to discussion document questions

Please enter your responses in the space provided below each question.

About RIAA

The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and Aotearoa New Zealand. It is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.



Liquidity management tools—questions for the public

10	Do you support more investment by KiwiSaver funds into private assets? Why / why not?
	RIAA broadly supports changes to remove regulatory barriers which curtail decision making by managers and to allow for greater flexibility and diversity in investible assets. This includes managers of KiwiSaver funds being able to consider investing in private assets.
	However, the nature of such changes must recognise that not all assets are equal when weighing up the risks of investing and the opportunity for return. Removing barriers without considering how specific characteristics of the asset class can add or increase risk may not achieve the intended policy outcomes. RIAA encourages MBIE to consider the factors in response to question 33 .
11	Do you support the use of liquidity management tools like ‘side pockets’, if they may have an impact on the availability of your KiwiSaver funds? Please explain.
	N/A
12	Please provide any further comments on the proposed approach.
	N/A
	N/A

Private asset categories—question for the public

19	Do you think it would be useful to have better visibility over how much KiwiSaver funds are investing into private assets?
	Yes. RIAA supports better visibility of how KiwiSaver funds are invested in private assets.
	In addition to clear disclosure of the amount a fund is invested in private assets, RIAA encourages MBIE to consider appropriate transparency considerations for this asset class to support investors who may otherwise invest in private assets but are concerned about the cost and resourcing to properly assess the asset and its risks. Proper safeguards are also important to protect KiwiSaver members from investing in private assets which have, by its nature, limited publicly available information: see response to question 33 .

Final comments—question for KiwiSaver providers or other industry

33	Please provide any further comment on barriers to KiwiSaver investment in private assets that you see (including any comments in relation to issues identified in paragraph 18b-f).
	RIAA broadly supports capital market reform to remove policy barriers for KiwiSaver funds to invest in private assets. Private assets present an opportunity for returns for long-term investors, along with stronger potential to achieve outcomes that benefit a sustainable and resilient environment, society, and economy.

The discussion document recognises that New Zealand lags other markets in relation to retirement schemes and investment in private assets, noting that as at 31 March 2024, 72.4 per cent of KiwiSaver money was invested in stock in overseas businesses and fixed interest compared to around 2-3 per cent allocated to private assets.¹ By comparison as at 30 June 2024, Australia had \$3.6 trillion (AUD)² in superannuation assets, with almost 16 per cent invested in private assets.

Private assets have significant potential to address social and environmental challenges such as health, housing and infrastructure and for the Government and investors to better leverage arrangements such as blended finance. Removing policy barriers to investing in private assets by a significant sector of New Zealand investors will undoubtedly increase the availability of such projects over time. Private assets can provide the opportunity to deliver on a range of Government priorities such as those from:

- Prime Minister Luxon's 2025 State of the Nation address which defined economic growth as his main priority for New Zealand;³
- the Second Emissions Reduction Plan;⁴ and
- the commitments with Australia in the 2+2 Dialogue.⁵

RIAA draws attention to factors which must be considered to ensure investors are able to properly assess risk and return when making investment decisions about private assets. Without proper mitigation, removing policy barriers alone may not achieve the policy objective of increasing investment in private assets as investment managers are unable to reconcile their fiduciary duties with the increased risks of investing in private assets without proper safeguards.

- 1 Transparency and consumer protection** – There is inherently less public information available on private assets, including climate risk information. Reasonable transparency measure should be introduced which are appropriate to the nature of the asset class.
- 2 KiwiSaver Default Fund exclusions** – as part of changes made in August 2021, default KiwiSaver funds are required to exclude investments in certain 'weapons and devices' and 'fossil fuels'. KiwiSaver managers rely on a combination of publicly available information, data sourced through third-party providers, and their own research to ensure holdings within these funds are compliant with this requirement.

Given there is less publicly available information within private assets, MBIE should consider providing guidance on how KiwiSaver managers can demonstrate appropriate due diligence to meet this requirement.

Guidance would support investment decision making where a prospective private asset has not been classified within an industry subsector, or does not publicly report revenue (which are the primary measurements used within the FMA's Information sheet – [KiwiSaver Default Fund Instrument of Appointment - Exclusions](#)). In addition, guidance could play a role in ensuring costs of due diligence and research by a manager to comply with this requirement, and its fiduciary duties, is kept reasonable.

¹ Financial Markets Authority KiwiSaver Annual Report 2024, <https://www.fma.govt.nz/assets/Reports/KiwiSaver-Annual-Report-2024.pdf>

² The Australian Prudential Regulation Authority superannuation statistics for June 2024 <https://www.apra.gov.au/news-and-publications/apra-releases-superannuation-statistics-for-june-2024>

³ [State of the Nation 2025 | Beehive.govt.nz](#)

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⁵ [Joint statement: Australia-New Zealand 2+2 Climate and Finance Dialogue | Beehive.govt.nz](#)

- 3 Portfolio holdings disclosure** – The *Financial Markets Conduct Act 2013* (FMC Act) and *Financial Markets Conduct Regulations 2014* (FMC Regs) require fund managers to produce quarterly fund updates where full portfolio holdings need to be disclosed.

MBIE should provide guidance on how private assets should be included within these disclosures given there is inherently less information available to a KiwiSaver manager to prepare these updates, resulting in the potential for KiwiSaver members to receive insufficient information about the use of their funds.

- 4 CRD reporting for KiwiSaver providers** – KiwiSaver providers fall within the CRD Regime and thus require relevant information from investee companies to comply. MBIE should provide guidance on how KiwiSaver managers invested in private assets can meet the reporting requirements under the CRD regime which currently only apply to listed issuers.

- 5 Stewardship** – Investing in private assets often results in significant ownership of the asset. Stewardship refers to using the rights and influence (beyond capital allocation) which comes with such ownership to protect and enhance overall long-term value for beneficiaries. This may also include the common economic, social, and environmental assets on which the beneficiaries' interests depend.

KiwiSaver managers should ensure they are acting in their members best interests when exercising ownership rights by demonstrating strong investor stewardship. RIAA **recommends** the New Zealand Government endorses the [New Zealand Stewardship Code](#) which can be applied to both private and public markets. The Code provides a principles-based framework for achieving the three interconnected goals of effective stewardship:

- to create and preserve long-term value for current and future generations
- to ensure the efficient management of capital whilst considering the best interests of clients and beneficiaries, and
- to contribute towards achieving sustainable outcomes for our environment, society, and economy.

In just one year after its inception, the Code's signatories comprised 60% of the total AUM in New Zealand in 2023.⁶

RIAA looks forward to working with the NZ Government as it progresses its plans to build a more sustainable and resilient economy centred around its people, including through increasing investments options for their retirement. A pipeline of local capital that appreciates the needs of New Zealanders, coupled with appropriate safeguards, will ensure the policy objectives of these reforms are achieved while providing the necessary information and transparency for KiwiSaver members and the broader financial market.

⁶ [Investors Stepping Up: Aotearoa New Zealand Stewardship Review 2023](#)