

# **Climate Change (New Zealand Superannuation Fund) Bill**

Member's Bill

## **Explanatory note**

### **General policy statement**

This Bill will require the fund managers of the New Zealand Superannuation Fund, the Guardians of New Zealand Superannuation, to consider the implications of their investment decisions upon climate change.

The New Zealand Superannuation Fund (the Fund) is an investment in our future. The Fund's present governance structure gives no directives on investment in companies whose activities are presently undermining our future. At the time of writing, the Fund has \$43 million invested in Exxon Mobil – one of the major underwriters of the climate change denial industry. Exxon Mobil continues to argue that it is “very difficult to determine objectively the extent to which recent climate changes might be the result of human actions.” The UK Royal Society describes these statements as “very misleading” and “not consistent with the scientific literature on this subject”, asking Exxon Mobil to stop funding those organisations that are misleading the public as to the human causes of climate change.

Investment in companies like Exxon Mobil, for example, is inconsistent with both the UN's Principles for Responsible Investment and the UN's Global Compact. However, the present enabling legislation only requires the Fund to follow prudent, commercial directives

for investment. This Bill will add *environmental sustainability* and the impacts on *climate change* to the directives the Guardians of the Fund *must* consider when making their investment decisions. The investment independence of the Guardians will continue unchanged, however.

This Bill will also strengthen Fund reporting requirements by the inclusion of a statement of ethical investment. This publicly available statement will detail the organisations the Fund is invested in, summaries of their respective impact on climate change and environmental sustainability and identify companies the administrators have chosen not to invest in (along with their reasoning). The increased reporting requirements will result in greater transparency of decision making “avoiding prejudice to New Zealand’s reputation as a responsible member of the world community” (section 58(2)(c), New Zealand Superannuation and Retirement Act 2001).

### Clause by clause analysis

*Clause 1* is the Title provision.

*Clause 2* provides for the Bill’s provisions to come into force on the day after the date on which it receives the Royal assent.

*Clause 3* provides that the Act amends the New Zealand Superannuation and Retirement Income Act 2001.

*Clause 4* states that the purpose of this Act is to require the Guardians of New Zealand Superannuation to consider climate change as an important criterion for responsible, ethical investment.

*Clause 5* inserts new definitions in the New Zealand Superannuation and Retirement Income Act 2001.

*Clause 6* adds the requirement for the Guardians to consider environmental sustainability and carbon neutrality when making their investment and management decisions for the New Zealand Superannuation Fund.

*Clause 7* states that New Zealand Superannuation Fund investment policy must take into account international norms, conventions, declarations, covenants, and treaties already supported or ratified by the New Zealand Government. This includes the United Nations Framework Convention on Climate Change.

*Clause 8* sets out new disclosure and reporting requirements in the light of the above amendments.

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*Eugenie Sage*

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### **The Parliament of New Zealand enacts as follows:**

- 1 Title**  
This Act is the Climate Change (New Zealand Superannuation Fund) Act **2012**.
- 2 Commencement** 5  
This Act comes into force on the day after the date on which it receives the Royal assent.

- 3 Amendments to New Zealand Superannuation and Retirement Income Act 2001**  
Sections 5 to 8 amend the New Zealand Superannuation and Retirement Income Act 2001.
- 4 Purpose** 5  
The purpose of this Act is to require the Guardians of New Zealand Superannuation to consider climate change and environmental sustainability as important criteria for prudent, ethical investment.
- 5 Section 5 amended (Interpretation of Parts 2 and 3 and Schedule 3)** 10  
In section 5(1) of the New Zealand Superannuation and Retirement Income Act 2001, insert in their appropriate alphabetical order:  
“**climate change** means the change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods (UNFCCC definition) 15  
“**environmental sustainability** means practices that protect human and natural environments both now and into the indefinite future”. 20
- 6 Section 58 amended (Investment of Fund)**  
After section 58(2)(c) of the New Zealand Superannuation and Retirement Income Act 2001, insert: 25  
“(d) environmental sustainability and, in particular, the activities contributing to climate change.”
- 7 Section 60 amended (Establishment of investment policies, standards, and procedures)**  
After section 60(1) of the New Zealand Superannuation and Retirement Income Act 2001, insert: 30  
“(1A) The investment policies, standards, and procedures for the Fund must take into account, but are not to be limited to, the international norms, conventions, declarations, covenants,

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and treaties already supported, signed, or ratified by the New Zealand Government.”

**8 Section 68 amended (Annual report)**

After section 68(g) of the New Zealand Superannuation and Retirement Income Act 2001, insert: 5

“(h) a statement that—

“(i) identifies the organisations in which the Guardians or their agents have invested; and

“(ii) describes the return on those investments; and

“(iii) summarises each organisation’s net impact on climate change and environmental sustainability; and 10

“(iv) identifies organisations in which the Guardians or their agents chose not to invest, and gives reasons for those decisions.” 15