Responsible Investment Association Australasia

MEDIA RELEASE

Embargoed until 00:01, 25 July 2017

Australian Responsible Investments Outperforming Mainstream Investments: New Report

Responsible investment funds are outperforming their average mainstream counterparts year on year, as the market for responsible investment continues to grow in Australia, the latest *Responsible Investment Benchmark Report 2017* has found.

Launched today by the Responsible Investment Association Australasia (RIAA), the report shows 'core' responsibly invested Australian share funds and balanced multi-sector funds have outperformed their equivalent mainstream funds over three, five and 10-year horizons.

"It is a long out-dated myth that financial returns must be sacrificed to invest responsibly or ethically. The performance figures and trends we are now seeing each year are telling us the opposite story," said Simon O'Connor, CEO of RIAA.

Responsible investments have more than quadrupled over the past three years to $622 billion, with nearly half (44%) of Australia's assets under management now being invested through some form of responsible investment strategy – from negative screening, impact investing, sustainability themed funds and the integration of environmental, social and governance (ESG) considerations.

"More and more Australians are wanting their investments and savings to align with their values, and are reaping the rewards with strong financial performance. The market is recognising the opportunities to create value for clients, with a surge in responsible investment products over the past year, including many focused on delivering positive social or environmental impact" said O'Connor.

"Responsible investors are increasingly focused on investing in the sectors that are rapidly becoming the sustainable backbone of our future global economy. It's this approach that will continue to deliver growth and performance for investors, and this will only build as regulatory frameworks shift to keep up with social expectations and these industries continue to grow," said O'Connor.

The Benchmark Report also found:

- **Investments in 'core' responsible investments** – including positive and negative screening, sustainability themed investments and impact investments – has grown by 26% over the past year to $64.9 billion, representing 4.5% of total assets under management.
- **ESG integration** is the primary 'broad' responsible investment approach. 91 asset managers were assessed in this study, with 16 managers who manage $557 billion found to be demonstrating a leading approach to incorporating environmental, social and governance considerations into investment analysis and decision-making.
- **The use of screening, both positive and negative,** continues as the most popular strategy for 'core' responsible investments, growing year on year by 36%.
- **Sustainability themed investments grew** significantly by 18% to $27.2 billion.

"While recent conversations dominating this sector have been predominately focused on fossil fuel divestment, the report shows an increase in negative screening across the market, particularly against weapons, tobacco, gambling, as well as significant increases in exclusions based on nuclear power and human rights. This tells us the market is connecting strongly into other areas of concern for consumers." commented O'Connor.

Survey respondents also identify a lack of qualified advice and expertise around responsible products, a factor that RIAA has sought to address with the launch of the Responsible Returns webtool, that connects consumers who care about responsible and ethical investing, with products that match their interests and concerns.

The report can be read in full here: responsibleinvestment.org/resources/benchmarkreport

---ENDS---

All media enquires: Sammy Manson | samantha@thebraveryishere.com | 0408 657 742

Notes to the editor:

- The *Responsible Investment Benchmark Report* is produced by RIAA, researched by KPMG and in its 16th year, is the most comprehensive review of the responsible investment sector
- The research is based on data over the 12 months up to 31 December 2016 from 104 asset managers, super funds, financial advisors, banks and community investment managers
- Continued demonstration of core responsible investment (RI) performance was at the forefront of the report findings showing:
    - RI Australian equities funds outperformed the average large cap Australian equities over 3, 5 & 10 years
    - RI International equities outperformed large cap international equities over 3 & 10 years
    - RI multi-sector growth funds outperformed mainstream equivalent over 3, 5 & 10 years
- For the first time this year, the survey asked asset managers to identify the key drivers of responsible investment growth. The top three responses were:
    - Alignment of investment strategy with underlying investors values/beliefs
    - ESG risks identified as of increasing importance
    - Increased demand from institutional and retail investors
- The New Zealand responsible investment companion report will be launched on 2 August 2017

Available for interview:

- Simon O'Connor, CEO at The Responsible Investment Association Australasia (RIAA)
- Spokespeople from other financial institutions available

About the Benchmark Report:

Each year since 2002, RIAA has commissioned research into the size and growth of responsible investment in Australia, publishing the results in the annual Responsible Investment Benchmark Report. This year, in conjunction with KPMG, data has been gathered from a survey of more than 100 asset managers, super funds, financial advisers, banks and community investment managers, in addition to data from Morningstar and RIAA's own data and research. The 2017 report details industry data on the size, growth and performance of the Australian responsible investment market over the 12 months to 31 December 2016 and compares these results with the broader Australian financial market.

About RIAA:

The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible, ethical and impact investors across Australia and New Zealand. RIAA is a growing active network of over 185 members managing more than $1 trillion in assets, including superannuation funds, fund managers, consultants, researchers, brokers, impact investors, property managers, banks, community trusts and financial advisers.

responsibleinvestment.org/benchmarkreport [link will be live 25 July 2017, see email for embargoed report attached]