



Responsible Investment
Association Australasia



Kiwi Saver Study

New Zealand Consumer Research

October 2016



This research project was conducted by Mobium Group (Mobium) on behalf of the client; the Responsible Investment Association of Australasia (RIAA). RIAA was supported in their delivery of this research by Kiwi Wealth.

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Rounding of the data set has been undertaken in the analysis. Readers should note this may cause a variation of +/- 1%.

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All research methodologies, data collection, analysis and reporting is conducted in accordance with the ASMRS Code of Conduct.

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Background



The Responsible Investment Association of Australasia (RIAA) works to promote a more responsible approach to investment, to encourage more people to actively choose a responsible and ethical option for their savings and investments, across superannuation, banking, general investments and KiwiSavers in NZ.

RIAA supports its members by acting as a hub for critical information for responsible investors through webinars, conferences, events, working groups, research, and policy. RIAA produces a regular newsletter, actively promotes the industry in the media, educates its members and provides access to the largest active network for responsible investors in the region.

RIAA also undertakes market research to provide market and consumer information on key metrics related to responsible investment in Australia and New Zealand.

In September 2016, RIAA commissioned a research snapshot to provide the baseline consumer data. Mobium Group was engaged by RIAA to undertake the research and analysis.

The core question set has been based on an earlier set developed by RIAA and adjusted to include input from one of its study sponsors.

Objectives & Approach



The objectives of the consumer research were to identify:

1. what proportion of New Zealand consumers would prefer to invest in a fund that considers the environmental, social and governance issues of the companies it invests in AND maximises financial returns, vs purely seeking financial returns.
2. consumer interest in certification of 'responsible' investment managers.
3. consumer responses to a series of barriers and attitudes questions.
4. the potential impacts (positive or negative) on returns that consumers may expect of funds that invest in 'responsible investments' vs 'standard' funds.



Joint RIAA & Mobium team led by:

- Mr. Simon O'Connor, CEO, RIAA
- Mr. Andrew Baker, Director, Mobium Group



- A questionnaire was developed to collect information to meet the project objectives.
- A mixed mode (combination of quantitative and qualitative questions) online survey was used to collect the data.
- The sample was randomly recruited through an ESOMAR accredited national research-only consumer panel. Target sample size of n=1,000 adult New Zealanders was specified. Age quotas were implemented to achieve a balanced mix of respondents aged 18 -69 years.



The data was collected over 7 days in late October 2016.

Sample



Total survey sample size = 1,001



Sample reliability at a total survey level = 95% +/- 3.1%

Rounding of the data set has been undertaken in the analysis. Readers should note this may cause a variation of +/- 1% in individual responses.



Kiwi Saver account holders = 72%



New Zealand respondents: 100%



Female: 51%
Male: 49%



18-29 y.o.: 24%
30-39: 19%
40-49: 22%
50-59: 20%
60-69: 15%



Household composition.
Living...
Alone: 13%
With friends: 8%
With family: 39%
With partner: 36%
Other: 3%



Household Income (pre tax):
Under \$25K: 18%
\$25K - \$40K: 16%
\$41K - \$62K: 20%
\$63K - \$83K: 14%
\$84K - \$104K: 12%
\$105K - \$125K: 7%
Over \$125K: 12%



University Education:
(Undergraduate or post-graduate)
38%

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Summary of Findings

- Of the respondents who have a KiwiSaver account, **nearly two thirds reported a balance of less than \$25k**
- The majority (95%) of respondents **believe that it is of at least some importance** that KiwiSaver funds **consider environmental, social, governance and/or ethical factors**, with 81% rating its importance as 5/10 or higher
- **One third of respondents** stated their decisions, when considering where to invest their retirement savings, were **weighted 50/50 between financial factors and personal values**
- Issues related to **people, animals and corruption all rated higher in importance** than the environmental factors that KiwiSaver funds should take into account in investment decisions
- Respondents placed **the highest importance on avoiding investing in whaling and nuclear power industries**, and least importance on snack foods and logging
- More respondents (42%) believe that keeping an investment and exercising rights **is more likely to influence company behaviour** than selling (19%), but 39% were **unable to offer an opinion**
- **Fifty five per cent** of respondents stated that they would be **more likely to invest in a KiwiSaver fund that is certified** by an independent body as a 'Responsible or Ethical Investor'
- **Search costs and reliability of information** appear to be **key barriers to switching** to a responsible or ethical KiwiSaver fund
- **Under a third of respondents stated a belief that a standard fund would perform better financially** than one that invests in 'responsible investments'
- **42% of respondents stated a willingness to pay at least 'a little more' in fees for** a fund that only invests in responsible investments, relative to a conventional fund
- **KiwiSaver providers were identified as an important source of financial advice**, second only to personal research. Professional channels (e.g. advisor) were least nominated

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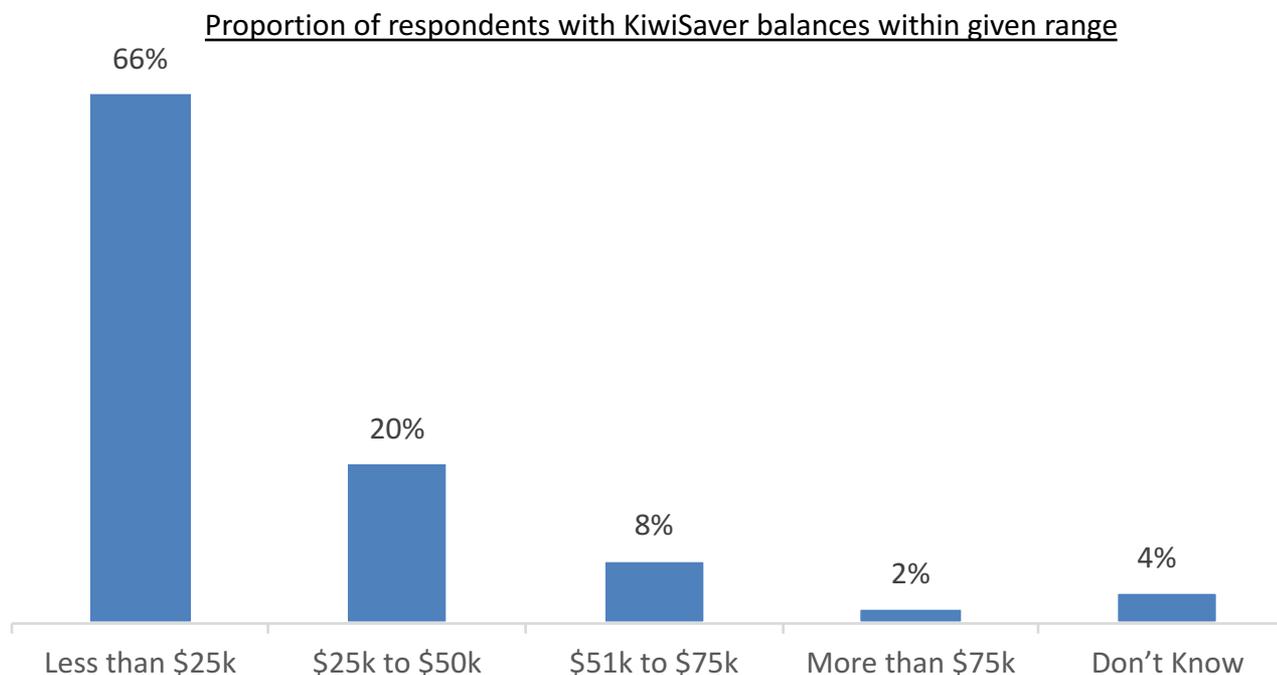
Of the respondents who have a KiwiSaver account, nearly two thirds reported a balance of less than \$25k

- One fifth of respondents with a KiwiSaver account reported balanced of \$25k to \$50k
- Balances trail off quickly, with only a small cohort having balances over \$75k

Q: What is the current balance of your KiwiSaver account to the best of your knowledge?

(select one response)

n=724



The majority of respondents believe that it is of at least some importance that KiwiSaver funds consider environmental, social, governance and/or ethical factors

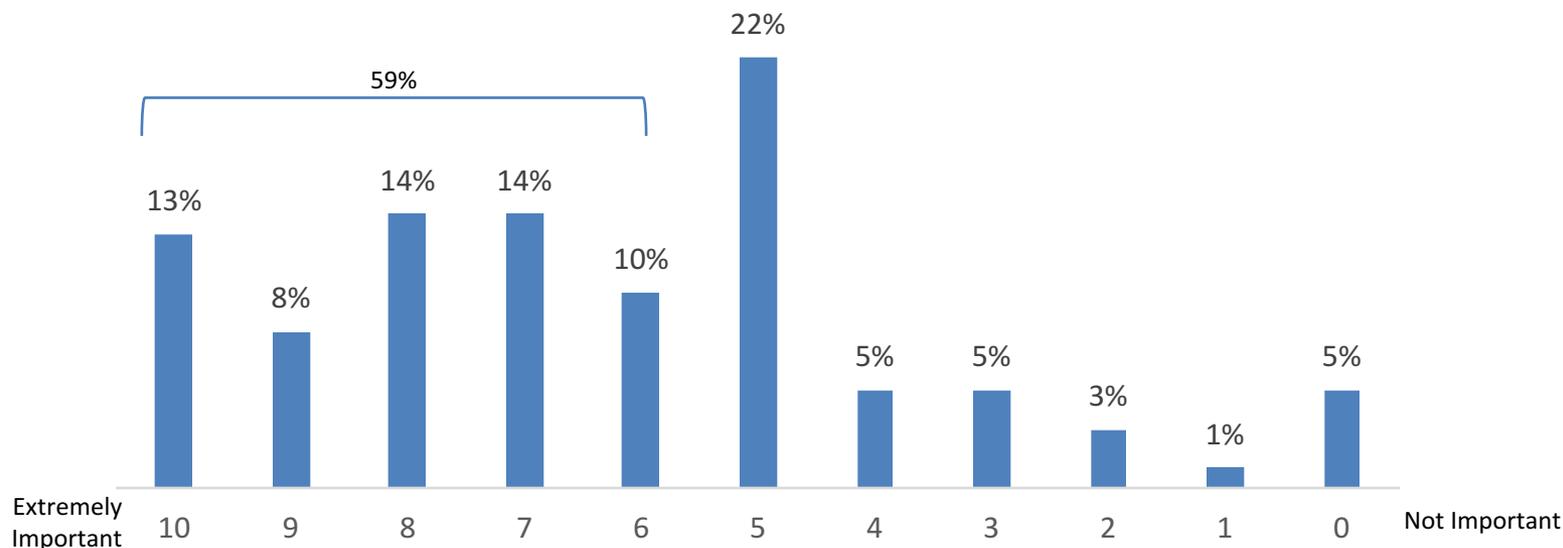
- 95% of respondents stated that it was of at least some importance to them, when selecting a KiwiSaver scheme, that the fund considers ESG and ethical factors
- 59% rated its importance as 6/10 or higher
- Just 5% believed that these considerations had no importance

Q: When choosing a KiwiSaver scheme, how important is it that the scheme considers environmental, social, governance and/or ethical factors along with established financial analysis when investing? Environmental factors are things like climate change, loss of natural habitat, pollution; social factors include human rights and labour standards; governance factors include bribery and corruption.

(select one response)

n=1,001

Proportion of respondents nominating a given level of importance



One third of respondents stated their decisions, when considering where to invest their retirement savings, were weighted 50/50 between financial factors and personal values

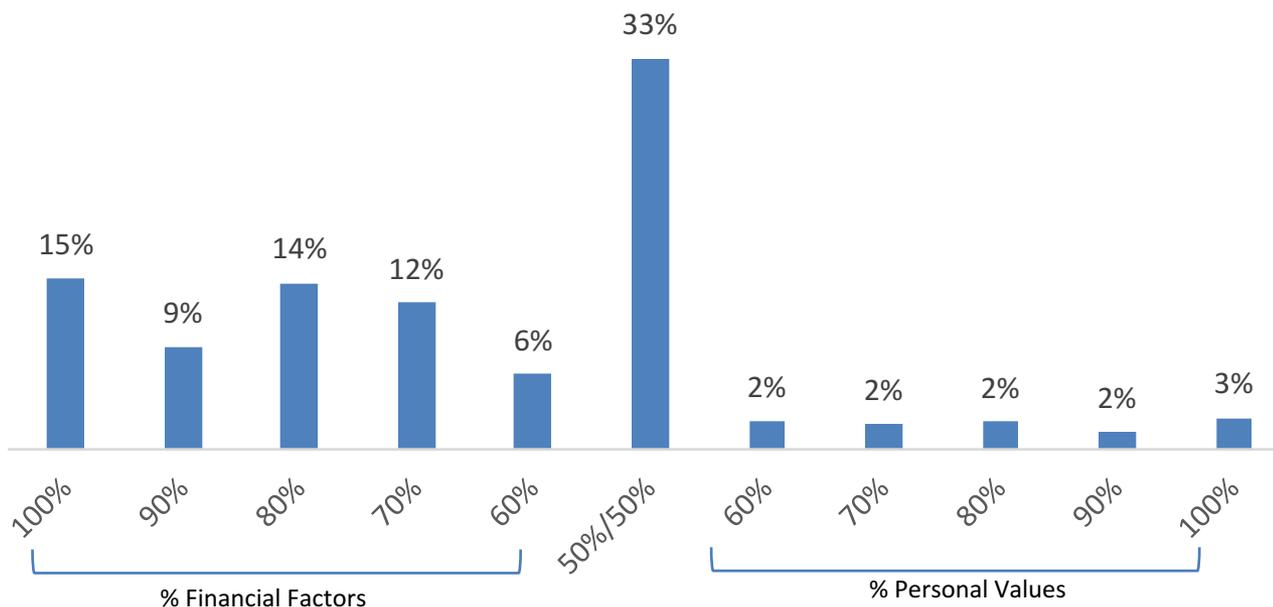
- Financial factors are the main drivers when respondents consider where to invest their retirement savings, with just 11% weighting personal values higher than 50%
- Just 15% of respondents stated that their decision-making was purely influenced by financial factors
- Whilst financial factors were the most important consideration, 85% of respondents placed at least some importance on personal values

Q: When considering how to invest your retirement savings, to what extent are your decisions influenced by any personal environmental, social or ethical values or concerns you may have about the way the fund invests, versus your desire to maximise financial returns? Please indicate on the scale below the extent to which your decision to invest in a KiwiSaver account is motivated by financial factors compared to your personal values.

(select one response)

n=1,001

Proportion of respondents nominating a given weighting towards financial factors vs personal values



Issues related to people, animals and corruption all rated higher in importance than the environmental factors that KiwiSaver funds should take into account in investment decisions

- Respondents generally gave issues with a direct impact on people or animals the highest levels of importance
- Respondents felt less strongly about environmental issues
- These findings align with Mobium Group’s long-run Australian research which finds that issues with a personal context resonate more strongly than issues perceived to be less immediate such as climate

Q: Please indicate how important it is to you, that your KiwiSaver fund takes the following issues into account when investing your retirement savings
(select one answer per issue)

n=1,001

Proportion of respondents nominating a given level of importance per issue

Answer Options	Very Important	Important	Somewhat Important	Not at all Important	Don't Know / Can't Say
Slavery	49%	25%	15%	5%	6%
Child labour	45%	28%	16%	5%	6%
Animal Cruelty	44%	29%	17%	6%	5%
Bribery and corruption	43%	29%	17%	5%	6%
Human rights	38%	35%	19%	4%	5%
Labour rights	29%	36%	24%	6%	5%
Environmental damage	25%	35%	28%	7%	5%
Carbon emissions	20%	32%	30%	11%	6%

Open responses (verbatim)

- Abortion
- Accident compensation
- All very important, but what's the ROI?
- Ammunitions
- Are some of these issues relevant to a retirement fund?
- Armaments
- Arms manufacture
- As above
- As much as we all want to save as much as possible I want it to be earned only in good and ethical ways and not by the suffering of others.
- At the end of the day I am most interested in getting the best financial return I can.
- Best monetary returns
- best returns
- Can't think of any other factors at the moment.
- Can't think of anything else
- cant remember
- Corporate fraud, Corporate beneficiaries of government handouts.
- Dealing in arms
- diversification
- Domestic violence
- Ethical Trading
- Everyone should get a fair go
- Fee's and charges are critical as govt top ups have and are siphoned off as costs,.
- Financial
- Financial returns and security of investment
- Financially correct investments
- Funding bombs or war of any kind, encouraging smoking, drug taking (including sugar).
- good return
- government decision and foreign affairs
- honesty and integrity
- Humane Moral
- I am not interested in Kiwi Save and will not be opening an account at any time.
- I am unemployed and don't add anything to my Kiwi Saver Account. I only joined it just in case I got a job.
- I got no idea.
- I had no idea about any of this...
- I have not considered any other issues
- I think from my perspective they are very important
- I would never chose a KiwiSaver fund
- I would stop contributing to my fund if I found that any of these factors were being contributed to negatively. I would invest elsewhere.
- I'd like to know what they invest in.
- If the provider had investments in the manufacture of arms or tobacco.
- In secured investments. Not to be invested in arms and ammunition. Consider all important factors as above.
- Investing in NZ companies
- Investment in intrinsically harmful categories, such as tobacco, alcohol, arms/weapons (for personal or military use).
- investment rates
- Investments staying in NZ
- Involvement with munitions/weapons manufacture
- is it going to be right for my retirement
- Just general bad things in the world - Guns etc.
- just keep saving as much as possible.
- KIWISAVER is good support is my life
- Long term sustainability
- Looking after retirees when there will be little or no government assistance
- "Make it clear that you have a solid investment and have the above..
- making money!
- making sure you receive your funds
- Military involvement, animal testing
- "Military supplies
- Munitions, nuclear related investments, or anything to do with war
- "no profiting from abortion ...
- No tobacco companies
- No weapons.
- NZ owned
- old is gold
- One would hope the provider would try to do the right thing
- only to maximise the return-it is a savings fund after all, not a charity
- overall ethical and moral standards. i.e. no investment in weapon manufacture or trade
- poverty
- Poverty in New Zealand
- Products made. I.e. weapons for war and nuclear.
- Profit
- Salvation Army Supporter
- save is life partner
- security and trust
- Should not be investing in companies that are manufacturing weapons of war
- "Smoking
- Gambling"
- Social justice.
- Sustainability
- that about covers it
- That it isn't with a company investing in weapons.
- That's it's there and hasn't been raised by the baby boomers
- the \$ return is all important
- "the Government should care for the elderly and those who haven't passed school cert and the underprivileged, it's completely unfair on our most vulnerable people"
- The only other issue would be cost of administration.
- The production of dangerous substance that have less dangerous alternatives.
- The realities of life means that sometimes you are better off not knowing all the details of how a company operates
- the rights of the unborn and elderly
- time...
- To make sure people actually get their money back
- Transparency, national and regional stability,
- Weapon manufacturing
- Weaponry
- weapons
- Weapons manufacture
- Weapons manufacture
- Weapons manufacture, tobacco and alcohol manufacture.
- weapons manufacturing
- Weapons, tobacco.
- What country they invest in. Ethical factors
- When I retire I want to retire into a world that is free from these things
- Whether profit or proceeds benefit terrorist organizations or the governments that fund them.
- Wouldn't invest with anyone who has practices that go against my Christian values

Respondents placed the highest importance on avoiding investing in whaling and nuclear power industries, and least importance on snack foods and logging

- The majority of respondents provided an opinion on all industries nominated in the survey
- Issues that have had major, long-term attention at a political level in New Zealand, such as Whaling and Nuclear power, resonated most strongly with respondents

Q: How important is it to you that your KiwiSaver fund avoids investing in the following industries?

(select one answer per industry)

n=1,001

Proportion of respondents nominating a given level of importance per industry

Answer Options	Very Important	Important	Somewhat Important	Not at all Important	Don't Know / Can't Say
Whaling	49%	25%	16%	8%	4%
Nuclear power	40%	21%	16%	19%	4%
Tobacco	38%	20%	16%	23%	3%
Gambling	36%	24%	18%	19%	3%
Military armaments	34%	23%	21%	16%	5%
Personal firearms	33%	23%	21%	19%	4%
Palm oil	31%	26%	22%	15%	6%
Adult entertainment	29%	19%	19%	29%	4%
Fossil fuels	27%	24%	26%	18%	6%
Sugary foods and drinks	21%	20%	28%	27%	4%
Junk foods	20%	21%	27%	28%	4%
Logging	15%	21%	28%	28%	7%

Open responses (verbatim)

- Adult entertainment
- Alcohol
- Alcohol
- Alcohol
- alcohol
- Alcohol over 50% alc./vol.
- Anti-LGBT religious groups.
- Any industry that uses animals as test subjects.
- any operation that would be competing with the company I work for
- Anything that takes advantage of people in vulnerable positions i.e. children, third world countries, poorer citizens who need the money desperately etc. ethical stuff
- criminal
- Don't care because I would never chose a KiwiSaver fund
- Drug companies that produce part of the methamphetamine cookup
- Drugs, gangs
- FISHING
- foreign currency
- good idea this sever
- green stuff
- Greenpeace
- Hospitals and any State Owned Enterprises
- I don't support these things
- I make this choice for Logging because as a member of Wingspan they have found it very beneficial in encouraging the birds to search new territories and procreate. The logging companies work closely with Wingspan to ensure the wellbeing of our NZ Falcons and other natives of NZ.
- I say let them invest where ever they like so long as they care about the people and don't sell out the housing under the poor, and if they do they should replace the houses and help the poor get a leg up, keeping us safe is paramount, while reducing global warming is our future if we lower the acid in the sea by adding naoh the sea just needs some lightning rods to make that then the fish won't die out, wales reduce carbon in the sea by eating plankton which become carbon, population babies reductions laws should become factual and put in place set figures, not more than 5 kids unless you couldn't help it, better vegies that actually have ph, and more air supplying plants protected, not to mention our water ways, and moralities kept in place, pervy porn just causes drug problems and filth, nukes are far to risky unless done safely, I like gambling but i
- don't like the gangs controlling our pokies in train stations, Tobacco is good for you, but only if it's lower in toxins, let's make gambling more winning for the people who gamble
- Immigration
- industries rife with government interference
- It depends what logging we are taking into consideration. In NZ, as an example, logging is done in a sustainable way with re-planting as part of the felling. In the amazon ... weeeelll. We should avoid investing in the corrupt country of Brasil for a start.
- It is not to invest in loss making companies.
- Liquor
- Military armaments should not be invested in, instead we should be investing in science, medicine, technology
- money...
- On Logging , if by that you mean forestry , I am all for sustainable use of wood / cutting down of trees specifically planted for that purpose , otherwise I am against it and would prefer kiwisaver funds did not invest in such things.
- Overseas investment
- pesticide
- Planned parenthood..any abortion related industry...
- Politics, war / armed forces
- poor working conditions in poor countries
- Prostitution
- Real estate because the industry is, in general, occupied by licensed crooks. reality check money is money
- "Recreational drugs that have been legalised.
- The overproduction of alcohol."
- Road tolls, any business or company using infomercials! !! Non free to air sporting events and codes.
- sex industry
- Sex trade
- Sex trade.
- Sustainable logging is ok, but not rainforest etc.
- Usury
- Whaling and Palm oil
- Where ever chances of Kiwi saver liquidation can develop.
- Where they are destroying the natural habitat for native animals
- wind farms

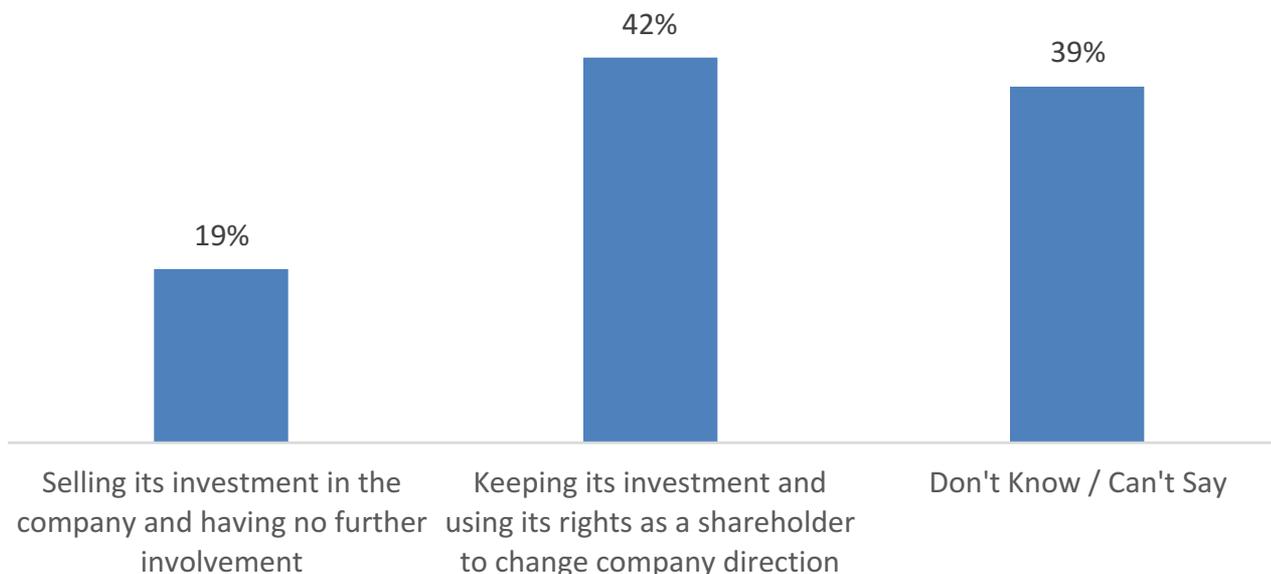
More respondents (42%) believe that keeping an investment and exercising rights is more likely to influence company behaviour than selling (19%), but 39% were unable to offer an opinion

- There is a belief amongst 42% of respondents that exercising rights as a shareholder is more likely to influence a company's behaviour than selling the investment, whilst just one in five believed that selling the investment would be more likely to have an influence
- 39% of respondents felt unable to offer an opinion either way

Q: Which of the following actions by shareholders, such as your KiwiSaver fund, do you believe is more likely to influence a company's behaviour?
(select one response)

n=1,001

Proportion of respondents nominating given response



Fifty five per cent of respondents stated that they would be more likely to invest in a KiwiSaver fund that is certified by an independent body as a ‘Responsible or Ethical Investor’

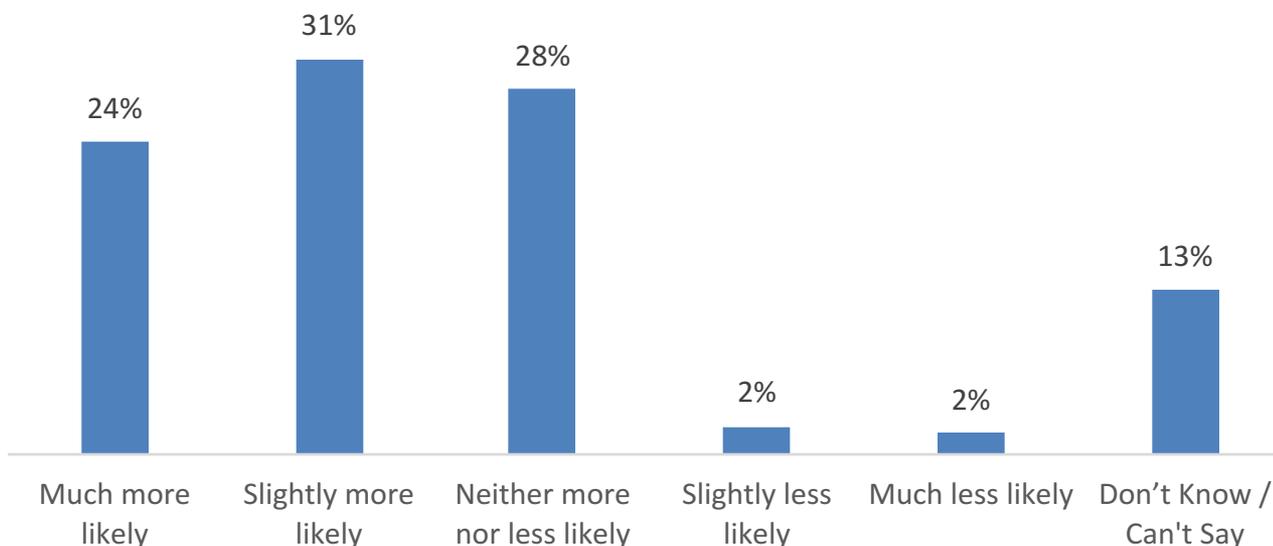
- Few respondents were biased strongly against investing in a KiwiSaver fund that is certified.
- A large majority of respondents were either ‘neutral’ or had a positive bias towards choosing a certified fund
- Nearly one quarter of respondents indicated they were ‘much more likely’ to choose a certified fund

Q: Would you be more likely or less likely to invest in a KiwiSaver fund that is certified by an independent body as a “Responsible or Ethical Investor” (i.e. a certification program for providers of responsible investment products that takes into account environmental, social, ethical and governance considerations)?

(select one response)

n=1,001

Proportion of respondents nominating a given level of likelihood



Search costs and reliability of information appear to be key barriers to switching to a responsible or ethical KiwiSaver fund

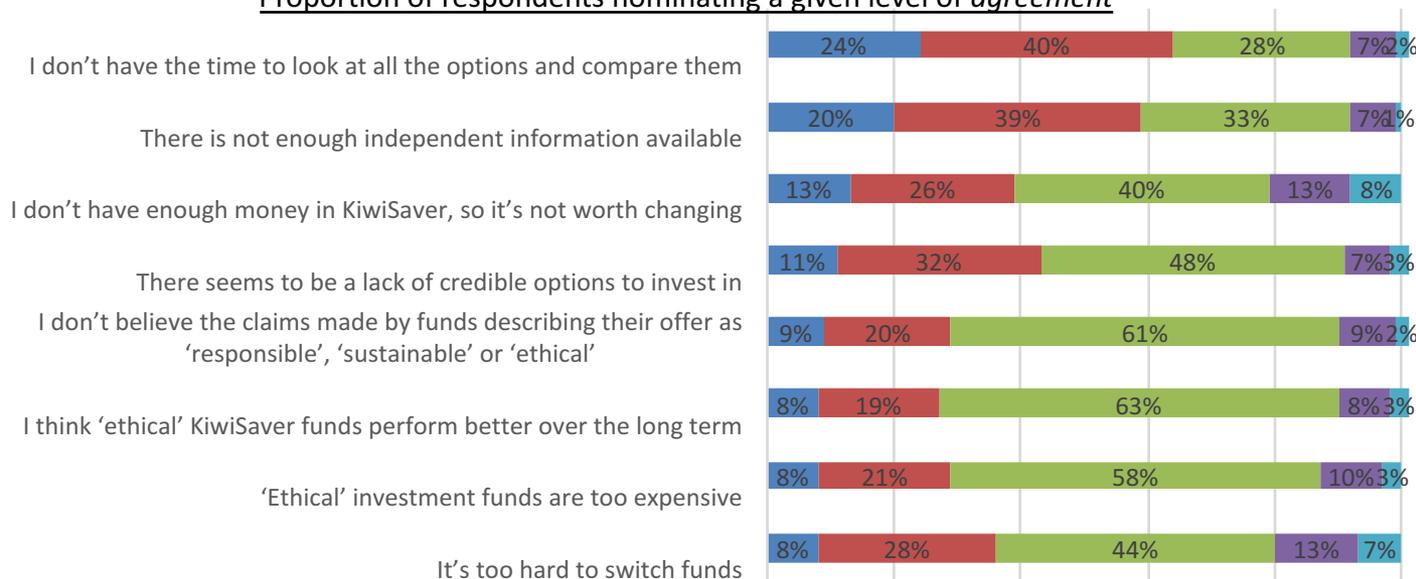
- More than half of all respondents agreed that they do not have enough time to look at all the options and compare them, or that there is not enough independent information available
- Less than one third of respondents stated that ‘ethical’ investments were too expensive
- The low member balances relative to more mature systems (e.g. Australia) may present a barrier to deeper engagement on these issues

Q: Do you agree or disagree with the following statements regarding switching to a responsible or ethical KiwiSaver fund (or option within a KiwiSaver fund)?

(select one answer per statement)

n=1,001

Proportion of respondents nominating a given level of agreement



Under a third of respondents stated a belief that a standard fund would perform better financially than one that invests in ‘responsible investments’

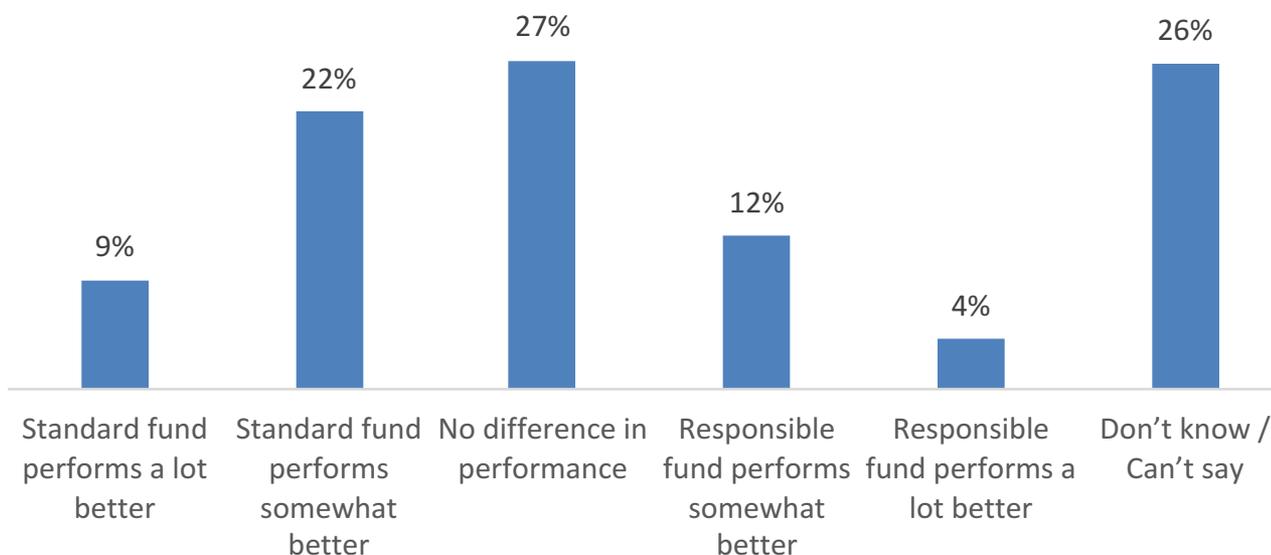
- The belief that an ethical fund performs better over five years is not widely held amongst respondents, which just 16% holding this position, vs. 31% stating a standard fund would outperform
- With over half of all respondents indicating that there is ‘no difference’ or ‘not knowing’, it appears that there is a significant opportunity to better inform consumers about the potential performance benefits of ethical funds

Q: If there were two KiwiSaver funds, one that invests in responsible investments (i.e. that takes into account environmental, social, ethical and governance considerations) and a standard KiwiSaver fund; how well do you think they would perform financially over the next five years?

(select one response)

n=1,001

Proportion of respondents nominating a given level of *expected financial performance over five years*



42% of respondents stated a willingness to pay at least ‘a little more’ in fees for a fund that only invests in responsible investments, relative to a conventional fund

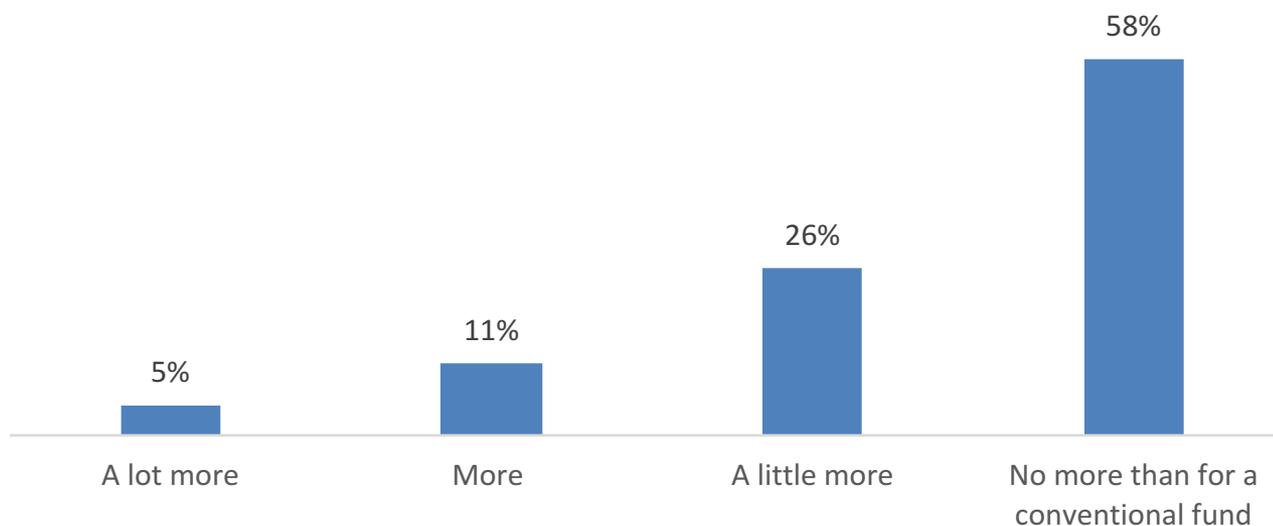
- The majority of respondents were unwilling to pay a premium. Given the apparent lack of understanding of the potential performance differences or other personal payoffs from choosing a responsible investment, this result may not be particularly surprising
- Based on previous Mobium experience in the Australian context, communications that focus on potential for *more stable returns net of fees* may resonate more strongly with consumers

Q: How much would you be prepared to pay in fees for a fund that only invests in responsible investments, relative to a conventional fund?

(select one response)

n=1,001

Proportion of respondents nominating a given amount



KiwiSaver providers were identified as an important source of financial advice, second only to personal research. Professional channels (e.g. advisor) were least nominated

- Consistent with Mobium’s long-run research database on similar issues, personal search was the most frequently nominated source for financial advice
- The relatively high proportion of respondents nominating a KiwiSaver or other FS organisation indicates that partnering with these organisations to educate consumers may be a useful channel
- Government sources do not appear to have gained widespread use as yet

Q: From which of the following sources do you get financial advice?

(select all that apply)

n=1,001

Proportion of respondents nominating a given sources





Kiwi Saver Study

New Zealand Consumer Research

For more information, contact Simon O'Connor, CEO, RIAA