Responsible Investment Association Australasia

MEDIA RELEASE

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NZ embraces responsible investing with record growth in 2016

Investment funds in New Zealand have shifted towards responsible investing in droves over the past year, with negatively screened funds growing by over 2500% and reaching a total of $42.7 billion in 2016.

Following the large controversy around KiwiSaver funds in August 2016, there has been a massive increase in the use of negative screens to avoid investments in tobacco and controversial weapons, the latest *Responsible Investment Benchmark Report 2017* has found.

Launched today by the Responsible Investment Association Australasia (RIAA), the Report shows 'Core' responsible investments - made up primarily of screened funds - jumped from $1.6 billion in 2015 to $42.7 billion at the end of 2016. This jump is primarily due to the introduction of negative screening of multiple issues by the majority of New Zealand's KiwiSaver providers.

"This is a staggering increase and is a monumental development for New Zealand's financial markets," says Simon O'Connor, CEO of RIAA. "We have never seen a market switch so rapidly to responsible investment. It's one of the most significant global changes to happen to the sector in 2016 and highlights that New Zealanders are not prepared to build their retirement savings at any cost".

"Kiwis communicated clearly that they are not willing to make their dollars at the expense of the planet or its people when there are responsible alternatives that outperform. Consumers and investors alike are taking a stance and aligning their investments to their values."

The Benchmark Report also found:

- **Responsible investment constituted** $131.3 billion assets under management (AUM) as at 31 December 2016, up 67% from $78.7 billion AUM in 2015.
- **Broad responsible investment –** those primarily undertaking an environmental, social and governance (ESG) integration approach – grew by 15% to reach $88.6 billion AUM – however a vast proportion of this also included screening.
- **Core responsible investment assets** as a proportion of New Zealand's total professionally managed assets increased to 61% in 2016, up from 2.5% in 2015.
- **Sustainability themed investments** increased by 34%.

"While it's a huge step to see the implementation of negative screens across mainstream and default products, responsible investment can still extend far beyond this," said O'Connor, "The leaders in responsible investment are doing so much more than just screening out companies. They are shifting capital towards sustainable businesses and assets that are having a positive impact and are forming the backbone of our future global economy."

Examples include sustainability-themed investments, impact investments and community finance, but also as part of ESG integration, increasing numbers of investors are flexing their ownership muscle to shift companies to a more long-term sustainable footing.

"Taking a responsible approach to investing will only continue to deliver growth and performance for investors, and this will only build as regulatory frameworks shift to keep up with social expectations and as these industries continue to grow".

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/benchmark-report

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Notes to the editor:

- The *Responsible Investment Benchmark Report* produced by RIAA, researched by KPMG, is the most comprehensive review of the responsible investment sector - the NZ report is the third stand-alone report
- The research is based on data over 12 months up to 31 December 2016 from 21 asset managers, super funds, financial advisors, banks and community investment managers
- 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:
    - ESG risks identified as of increasing importance
    - Alignment of investment strategy with underlying investors values/beliefs
    - Increased demand from institutional and retail investors
- The Australian responsible investment companion report was launched 25 July 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, the Responsible Investment Association Australasia (RIAA) has commissioned research into the size and growth of responsible investment across Australasia. This 2017 report is the third stand-alone New Zealand report, a companion report to the 2017 Australian Responsible Investment Benchmark Report. The aim of this research is to gather data on the various forms of responsible investment and to present analysis of growth in the sector.

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/resources/benchmark-report