

MEDIA RELEASE

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Responsible Investments hit Major Milestone, Tipping to Over Half of all Australian Investments: New Report

Responsible investment in Australia has hit a major milestone, with a new report finding over half of all professionally managed investments in Australia are now invested as responsible investments. Environmental, social, corporate governance and ethics considerations now sit alongside financial as critical components informing the investment decisions of the majority of Australia's professional investors.

The 17th annual *Australian Responsible Investment Benchmark Report 2018* (KPMG), the most comprehensive review of the responsible investment sector in Australia, reveals the industry hitting new heights with \$866 billion now managed as responsible investments, representing 55 per cent of all professionally managed assets in Australia, up from \$622 billion in 2016 (growth of 39% year on year).

"This is a major milestone to reach with a majority of funds invested in Australia now being invested under commitments to responsible investment," said Simon O'Connor, CEO of RIAA. "We are now at a stage whereby issues such as climate change, human rights, corporate culture, diversity and a whole range of other important sustainability issues are right at the forefront of consideration by Australia's finance community."

O'Connor explained the uplift in assets was largely due to mainstream investment funds making a switch to incorporate responsible investment, such as incorporating negative screening, systematically assessing environmental, social and governance (ESG) factors as well as engaging directly on these issues to influence corporate Australia.

"Nearly two decades of progress in responsible investment has this year reached an important tipping point, which we believe will only gain further momentum in light of growing calls for transparency and accountability across finance along with a growing consumer demand for investments that align with their values," said O'Connor.

Broad Responsible Investment

- RIAA and KPMG research reviewed Broad Responsible Investment strategies of 112 asset managers in Australia, finding 24 managers could demonstrate a leading approach to ESG integration, constituting \$679.3 billion AUM, up by 22% year on year
- Asset managers cited ESG factors positively impacting portfolio performance as now the greatest driver of growth in responsible investment (up by 20 per cent year on year)

Core Responsible Investment

- Core Responsible Investments using negative or positive screening, sustainability themed investments, impact investing and community finance have also reached a record level of \$186.7 billion representing 12% of all professionally managed assets, more than tripling between 2015 and 2017.

- This growth in absolute and relative terms reflects both a surging demand for ethical, sustainable and impact investments as well as a further embedding of negative screens across mainstream financial products and mandates – particularly across tobacco and controversial weapons
- Core responsible investment Australian share funds outperformed their benchmark over three, five and ten years
- Responsibly invested international share funds outperformed the benchmark in the one and three-year time horizons, with comparable performance over ten years; and responsibly invested balanced portfolios outperformed their benchmark over the three, five and ten year periods

“Our research continues to show us Australians don’t want to build their retirement savings and other investments off the back of harmful activities without compromise to financial performance. The investment industry is responding, by providing more investment opportunities that align with these values, but also building these considerations into the bulk of the market.

“While it’s hugely positive to see responsible investment now with the lion’s share, our aspiration is to see this number grow as the understanding of ESG factors on positive portfolio performance increases,” said O’Connor.

For anyone looking for more information on how to find investments that align with their values, visit: www.ResponsibleReturns.com.au

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 publicly available data and a survey of more than 120 asset managers, super funds, financial advisers, banks and community investment managers, in addition to data from Morningstar. The 2018 Report details industry data on the size, growth and performance of the Australian responsible investment market over the 12 months to 31 December 2017 and compares these results with the broader Australian financial market.

This report is now joined by RIAA’s companion benchmark reports:

- [Benchmarking Impact – Australian Impact Investment Activity and Performance Report 2018](#) – assessing the detail, growth and performance of the impact investment industry (launched July 2018)
- [Super Fund Responsible Investment Benchmark Report 2018](#) – detailing the responsible investing approach of the largest 50 super funds in Australia (Launched May 2018)

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 has an active network of over 220 members who manage more than \$9 trillion in assets globally, including superannuation funds, fund managers, researchers, brokers, impact investors, banks, community banks, community trusts, faith-based groups, financial advisers and individuals.

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