MEDIA RELEASE

UNDER EMBARGO UNTIL 08:00NZT 16 AUGUST 2018

New Report: Responsible Investments Hit Major Milestone, Representing Vast Majority of all New Zealand Investments

Responsible investment in New Zealand has hit a major milestone, with a new report finding the vast majority of professionally managed investments are now invested as responsible investments, with total assets under management having more than doubled in just two years.

Environmental, social, corporate governance and ethics considerations now sit alongside financial as critical components informing the investment decisions of the majority of New Zealand's professional investors.

The 4th annual New Zealand *Responsible Investment Benchmark Report 2018* (KPMG), the most comprehensive review of the sector, reveals the industry hitting new heights with $183.4 billion now managed as responsible investments, up from $131.3 billion in 2016[1] and $79 billion in 2015.

"The single most significant driver of growth in responsible investment is coming from the demand and desire from clients to align investments to their values - which we can track to the 2016 revelations of many KiwiSaver funds being invested in weapons and tobacco," said Simon O'Connor, CEO of Responsible Investment Association Australasia (RIAA). "In that short amount of time, we have seen nearly the entire investment industry move to put in place a responsible investment approach, from 2.5% of the industry two years ago.

"Excitingly this has now gone well beyond weapons and tobacco exclusions. We are now at a stage where climate change, human rights, corporate culture, diversity and a whole range of other important issues of our time are right at the forefront of consideration by New Zealand's finance community, and where investors are engaging directly on these issues to positively influence corporate behaviour."

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, and systematically assessing environmental, social and governance (ESG) factors.

"In 2017 we have seen a move by investors to go beyond just screening out harmful industries, to a more proactive approach to responsible investing, driven in large part by a growing understanding that a responsible investment approach delivers better investment outcomes."

Broad Responsible Investment

- Broad responsible investment approaches, whereby an ESG integration is the principle responsible investment strategy, continue to make up the largest portion of total responsible investment AUM, with $97.0 billion in assets under management
- These organisations span community trusts, investment managers and asset owners including crown financial institutions

---

[1] Growth of 40% year on year

- The second and third most cited drivers of growth after client demand were linked to the understanding that ESG factors underpin stronger investment performance

Core Responsible Investment

- Core responsible investment strategies, specifically the use of negative screens, have emerged as a significant part of the total responsible investment AUM, jumping up substantially for the second year running by 100% to reach $86.4 billion AUM
- This increase is due primarily to the ongoing implementation of screening of weapons and tobacco companies in 2017 where this has moved beyond just KiwiSaver funds, to other managed funds

"The public focus on the underlying investment holdings of the KiwiSaver market in 2016 started this significant shift in investment markets, but the industry has taken that momentum and run with it, now putting in place sophisticated responsible investment strategies across screening, ESG integration as well as corporate engagement and voting practices."

For the first time the report looked at the performance of Core responsible investment funds against relevant benchmarks and found very strong performance:

- Core responsible investment New Zealand share funds as well as multisector balanced funds both outperformed the relevant benchmarks across all time periods: one, three, five and 10 years
- Core responsible investment international share funds outperformed their relevant benchmarks over the three and 10 year time horizons
- Whilst analysed from a small sample in New Zealand, in similar markets such as Australia with larger samples, performance is similar

"While it's hugely positive to see responsible investment now with the lion's share, our aspiration is to see capital increasingly align with delivering a better society and environment for NZ that supports strong long term portfolio returns." concluded O'Connor.

To learn more about how to find investments that align with values visit: ResponsibleReturns.co.nz

-ends-

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 RIAA has commissioned research into the size and growth of responsible investment across Australasia. This 2018 report is the fourth stand-alone New Zealand report, a companion report to the 2018 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. The New Zealand Responsible Investment Benchmark Report charts the ongoing growth of responsible investing strategies, whilst also identifying the key drivers of increased capital flows towards responsible investment (RI) and the barriers to uptake with the intention of increasing the adoption and quality of RI strategies. The 2018 Report details industry over 12 months to 31 December 2017 and compares these results with the broader New Zealand 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 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.