

Annual Report

2018 Financial Year

Working to see more
capital being invested
more responsibly

The Responsible Investment Association Australasia (RIAA) works to see more capital invested more responsibly:

RIAA works to shift more capital into sustainable assets and enterprises and shape responsible financial markets to underpin strong investment returns and deliver a healthier economy, society and environment.



RIAA is the peak industry body representing responsible and ethical investors across Australia and New Zealand. RIAA is a growing active network of over 240 members managing more than \$9 trillion in assets, including superfunds, fund managers, consultants, researchers, brokers, impact investors, property managers, banks, community trusts, financial advisers and dealer groups.

Contact details

Level 9, 387 George Street, Sydney NSW 2000
Level 5, Suite 506, 235 Queen Street, Melbourne VIC 3000
+61 2 8228 8100
info@responsibleinvestment.org
responsibleinvestment.org
ABN: 988 248 315 60
@RIANews

Letter from the Chair

Pablo Berrutti

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This is my last letter to you as RIAA's Chair. While I remain as committed to RIAA's mission as ever, after six years the time is right for an orderly transition to new leadership for the RIAA Board.

At the AGM we will vote on exciting changes to RIAA's Constitution which will align the organisation's beliefs with the broader interests of society as expressed by the Sustainable Development Goals, and set a bold mission for RIAA to support the transformation of the financial system to that end. That process has been the culmination of long journey for RIAA and our industry which I have been immensely proud to have been involved with. When the RIAA Board gathers in February 2019 it will set a strategy for the next three years to achieve that ambitious mission. I am excited at the prospect of being able to support the new Chair and organisation in that process.



The decision to step down was not a difficult one because RIAA has a group of directors who share purpose and values and who bring diverse and important skills and experience to the governance of the organisation. The Board of RIAA borrows the organisation from the future and is charged with delivering it to its next generation of stewards in better shape than when it was handed to us. It is a humble and deliberate board that our membership can have great confidence in.

While we have made mistakes and have benefited from strong tailwinds, we have stayed true to our mission, nurtured great leaders in our management team, and guided the strategy which has made RIAA the organisation it is today. While we should never be complacent, RIAA is well placed to pursue its noble mission.

It may sound fanciful or self-important to talk about the nobility of our mission, but we truly are at the vanguard of transforming our economy and financial markets. The mission is large, the challenges are great, but we take them on because we know that we can, that we must, change finance for good. We are all vested in this noble mission and should be proud of it. The time of being diminished or seen as fringe are gone. We are all leaders in that effort and it is not just capital markets we must reform, but responsible investment too.

What gives me confidence we can succeed is not the growth in members, media mentions or revenue but the quality and vibrancy of the community we are part of. Over the years we have had many new people join our ranks and we are blessed with a rapidly growing group of smart, diverse, generous and principled change makers - it excites me to be part of that movement. As we continue to grow in numbers let's work hard to keep that spirit of collaboration and community. Together we can make that the norm for the whole industry and what could be more noble than that?

I would like to take this opportunity to give thanks. I am grateful to our excellent Board and in particular Susheela as Deputy Chair and Phil as Treasurer who have held those roles throughout my time as Chair and been great leaders and stewards throughout this period of change for RIAA. It is often said that the most important job a board has is to pick the right CEO and in Simon we have done that, and in-turn he has built a fantastic team. Nicolette, Carly, Josh, Alex and Briony epitomise the modern organisation; diverse, flexible, cloud-based, dynamic, hard working and impactful. Importantly they also have some fun doing it.

And lastly to our members, and particularly those who work on and lead the many working groups and committees. Financial support is important, of course, but what would the money provide without those that give their time to drive this agenda forward? To the chairs, Dan Smith (engagement), Mark Lyster (human rights), Justin Medcalf (certification), Rob Fowler (ESGRA), Susheela Peres da Costa (policy), Peter Murphy (Impact Investment Forum) and all those on the groups and committee too, thank you!

To everyone else I encourage you to join and participate, we need you now more than ever.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Pablo Berrutti', written in a cursive style.

Pablo Berrutti
RIAA Chair

Letter from the CEO Simon O'Connor

I took on this role six years ago as I recognised the unique positioning of the finance sector vis-a-vis the long term sustainability issues that determine the future health of our environment, society and economy. Unlike the corporate or government sectors, long term investors are almost unique in such alignment, together only with our beneficiaries who are entirely invested in that long term future, for themselves, their retirements and their future generations.

That belief of our unique alignment with a sustainable future remains as true today as ever. Despite it being almost cliché, there has really never been a more important time for our industry to step up to deliver on this long term view and the responsible investment promise we have made to our clients.

As part of the responsible finance community, we all know the reasons for this urgency: the dire climate projections, the social fracturing and the political tumult. All of these factors mean that for us to deliver on our duties to beneficiaries and to continue to deliver strong returns over the time horizons they demand, then it is essential that we step up, to have a stronger influence, to ensure markets, corporations and governments are operating in a way that serves these long term interests.

What gives me great hope is that within our own community of more than 240 members, we have the means to have an influence requisite with the task at hand. Our members today manage well above \$9 trillion in assets globally, are some of the largest global financial institutions, as well as some of the most innovative organisations in all parts of the finance sector. Our sector has tipped over to constitute the majority of assets professionally managed in both Australia and New Zealand in the last year – we are now the ‘mainstream’.

We have an incredibly unique community that runs across global and domestic, Australia and New Zealand, from retail to institutional, from impact to ethical to ESG, from retail funds to industry funds, as well as public institutions, sovereign wealth funds, banks, insurers, academic institutions and NGOs.

Indeed, I can't think of a single other organisation with such a strong and united coalition of diverse members all working towards the same end of directing more capital towards a more sustainable economy, society and environment.

Finance has a massive, and indeed urgent role, to play if we are to achieve this mission. But to do that we are all going to have to step up and deliver on that responsible investment promise that our beneficiaries expect of us when they choose responsible financial products and options. It's now time for us to put a strong conviction behind our responsible investment commitments.

Pleasingly, there is great momentum and growing evidence that we are starting to do just that – whether it's the surging demand for responsible investments, the show of strength in corporate engagements, the strong voting support for climate and social resolutions, the ever greater flows of capital towards low carbon assets, the quadrupling of funds seeking social and environmental outcomes in impact investments and the strong policy support (and success) around modern slavery legislation, just to name a few areas.

Off the back of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in Australia, this is now essential that we do deliver on the responsible investment promise by demonstrating real measurable impact on social, environmental, governance and financial outcomes. It is



through this that we can demonstrate the social utility of finance, by contributing to building the type of Australia and New Zealand our beneficiaries clearly want, and in this way help to rebuild trust in finance and a very real social licence. Indeed, we know from our consumer research that our clients already expect us to do this.

RIAA is better positioned now than any time over the past 6 years that I've been in this role - and possibly over the near 20 years of our organisation's history - to lead on this mission, with a strong membership, strong finances, active member working groups, broad media reach, strengthening policy advocacy and you - our 240 members.

The constitutional changes being put to the members at this 2018 AGM help us to finally and clearly put this purpose at the very heart of what we exist for as an organisation, a clear focus for us all on why we are doing all this work and to much more easily articulate it to our clients. These changes will set us clear direction, one that aligns us with the Paris Agreement and the UN's Sustainable Development Goals, and set this path for RIAA's next ten years.

I sincerely thank you all of you for your support as members and as active participants at RIAA. We are a lean organisation that really is a platform for delivering work together with our members, so your participation, direction, responses, suggestions and action are what we rely on to drive this important mission.

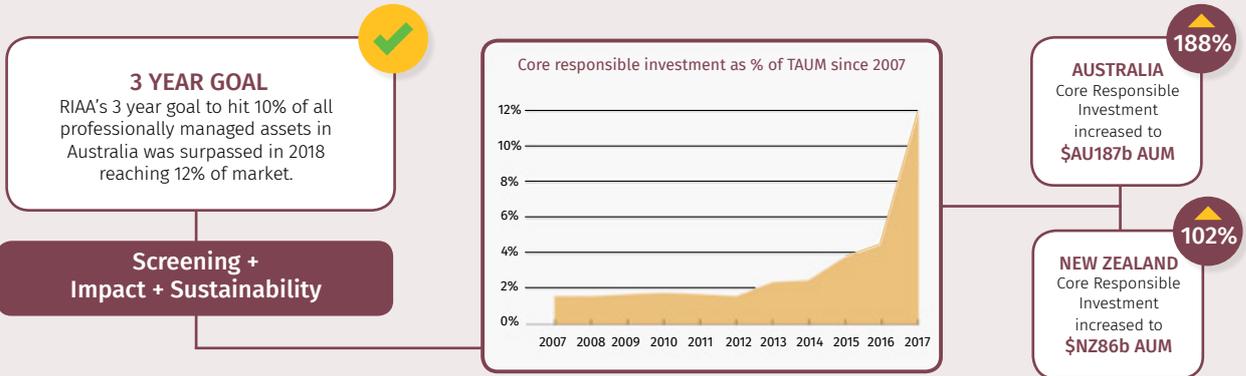
I would also like to call out a special thank you to our Chair Pablo Berrutti who has been in that role since I began, and will be stepping down at this year's AGM. Pablo is a sharp, generous and hard working leader in this responsible finance field, who has put in so much time and effort in this volunteer role as Chair to drive and shape RIAA and constantly challenge our role and direction in a most constructive and valuable way. I am sure Pablo will continue to be a real asset and influence on this industry for many years to come.

I'm looking forward to working with you all in the year ahead.



Simon O'Connor
CEO

FY2018 in numbers



39%
YOY
\$AU866b
Total AUM of RI Assets in Australia

40%
YOY
\$NZ183.4b
Total AUM of RI Assets in New Zealand

“Responsible Investment has hit a major milestone representing over half of all professionally managed investments in Australia”



This year's Annual Report sets out what RIAA has delivered and achieved together with and on behalf of our members in FY2018.

The report is framed around our key work domains, consistent with our 3-Year Strategy:

1. The Market
2. Our Members
3. The Organisation

The Market – *working to drive demand and shift investment practice, working at both a retail and institutional level*

A key focus for RIAA's work is to drive the demand that underpins responsible investment. Our work has us focused on four key areas to achieve this:

1. **Delivering tools for investors to navigate towards responsible investment products and advice** – delivered primarily via our Certification Program and communicated via our Responsible Returns online tool.
2. **Strong voice for the industry** – delivered via our communications and media work to represent the industry, and build awareness of responsible investment.
3. **Setting the rules of the game with a focus on policy to support a long-term policy approach** – delivered through our policy work.
4. **Collaboration with key stakeholders to amplify our impact** – acknowledging that we alone can't deliver our goal of shifting a finance system to one that is based on more responsible investing. It's essential we work in collaboration with partners and stakeholders in a smart way to deliver on these objectives.

Responsible Investment Certification Program

Over the last year, the number and range of products covered by RIAA's Certification Program has burgeoned.

This growth comes at a time when advisers, wealth managers and their clients are increasingly demanding a greater number of and more varied products. In addition they are seeking the certainty which comes with knowing responsible investments carrying the Certified RI Symbol are true to label, transparent about their holdings and strategies and underpinned by independently verified, quality investment processes.



CERTIFIED BY RIAA

In the last two years we have witnessed an emerging conversation globally about the need for such a labelling and verification standard in the context of growing global client demand for responsible investments. The EU High Level Expert Group (HLEG) on Sustainable Finance for example has concluded the need for such labelling and as the operator of the world's longest running Certification Program for responsible investment and advice, RIAA has contributed its expertise and learnings to this global conversation.

At the same time, we see what consumers want from a program and what the market has on offer is advancing rapidly. As a result RIAA's Program is having to evolve to maintain relevance, protect integrity and support differentiation, not just between responsible and traditional investments but also between and within responsible, ethical and impact investing options themselves.

From our own consumer research and from analysing what people search for when visiting the Responsible Returns webtool, we've learned that the vast majority of investors now expect their investments to have certain minimum exclusions in place – such as tobacco and controversial weapons. This is particularly true for New Zealand-based investors and default KiwiSaver funds. Our Program must respond to shifting norms, meet consumer needs and maintain a point of difference.

At the time of writing, we are undertaking a periodic review of the Program to explore how we meet these needs both of the industry and the users, ensuring our Certification Program remains the leading global program for the next decade and beyond.

As well as the Program growing in the number of product certified – reaching 157 products from 45 organisations at end FY18 compared with 112 products from 35 organisations at end FY17 – the Certification Program continues to increase the quality of products and disclosures. For example, all Certified products must provide full portfolio holdings disclosures, noteworthy in Australia where the market continues to perform last in the Morningstar global league table on disclosure practices. In fact, 96% of new applicants to our Certification Program have been approved with recommended improvements or corrective actions to their product and disclosure documents.

“73% of Kiwis are more likely to invest in a scheme that is certified to be responsible or ethical.”

Responsible Investment: NZ Consumer Survey 2018, Sep 2018, RIAA & Mindful Money

“86% of Australians agree that they would be more likely to invest in an organisation, fund or product that has been certified by an independent third party for its responsible investment practices”

From Values to Riches: charting consumer attitudes and demand for responsible investing in Australia, Nov 2017, RIAA

FY15

45
products
20
managers

FY16

90
products
28
managers

FY17

112
products
35
organisations
22
advisers

FY18

157
products
45
organisations
22
advisers

Consumer research in Australia and New Zealand

In 2017 RIAA commissioned Lonergan Research to explore Australians' interest and engagement around social and environmental issues when making consumption decisions, with a particular focus on people's attitudes, activity and intentions when investing their money in superannuation and other financial products.

This consumer research built on earlier research commissioned in 2013, showing us what we already knew, but in numbers stronger than imagined.

The research showed that Australians are demanding that financial markets play a socially constructive role in the economy. 9 in 10 (92%) Australians expect their superannuation or other investments to be invested responsibly and ethically, and 4 in 5 Australians would consider switching their super or other investments to another provider if they find their investments are doing harm.

Research commissioned by RIAA and Mindful Money in New Zealand in 2018 to explore New Zealanders attitudes towards responsible investment had similar findings.

The research, conducted by Colmar Brunton, showed 72% of New Zealanders expect their investments to be made responsibly and ethically, and that 62% would move their investments if they discovered their money was being invested in activities inconsistent with their values.

Conducting regular consumer research is central to ensuring the responsible investment industry maintains its relevance to clients and consumers more generally. This recent Australia and New Zealand research shows unequivocally that responsible investment is good for business, and highlights how investment is swiftly becoming a new form of conscientious consumption.

Responsible Returns online tool

The Responsible Returns online tool has become the key resource for comparing and contrasting responsible and ethical investment options in Australia and New Zealand.



This consumer facing online tool was designed specifically to address the greatest barriers to further uptake of responsible investment options, as highlighted in our consumer research across Australia and New Zealand. Responsible Returns makes it easy for consumers to find investment options that match their interests and values, and as at June 2018 presents 157 investment options across diverse asset classes and investment styles, spanning New Zealand and Australia.

In addition to retail consumers, we are increasingly speaking with wealth management firms, dealer groups, advisers and platform providers who are looking to update Approved Product Lists with responsible investment options, and making it simpler for them to see the breadth of options now available, from superannuation, managed funds, KiwiSaver and banking products.

We continue to build out the functionality of the tool, including a blog function to engage consumer audiences around key themes, and improved back-end dashboards to inform product managers how their products or offerings are performing in searches.

Visit responsiblereturns.com.au

Media – a strong voice for the industry

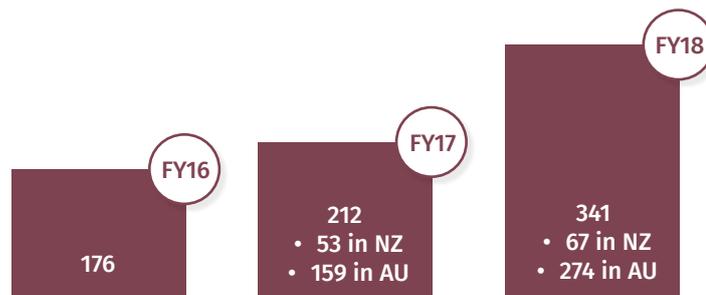
A strong focus continues to be communicating the case for responsible investment through the media. Our media work helps to grow the visibility and awareness of responsible investment in all its forms to drive demand and provide a voice for our members and we continue to focus strongly on getting broad and regular reach via media.

Our media work focuses on industry press, as well as mainstream and consumer media with coverage across all mediums in the last year including online, print, radio, television and social media. Our media work continues to grow alongside the prevalence and awareness of responsible investing and in FY18 we achieved the highest media mentions to date of 341 mentions (up from 212 in FY17), with 67 of these in New Zealand media (20%).

Beyond the quantity of mentions, we aim for and measure the quality of mentions, and were encouraged by the positive tone of media coverage in the last year, as well as a growing number of feature pieces.

Our most significant media comes through the launch of our two annual Responsible Investment Benchmark Reports with approximately 170 media mentions reaching a circulation of over 7 million readers and achieving many thousands of downloads across the year.

Media Mentions



Policy

RIAA's 2016 Policy Road Map continues to drive the direction and prioritisation of RIAA's policy agenda and work plan.

RIAA's policy work involves making representations to key industry consultations and in FY18 we delivered seven submissions across Australia (3) and New Zealand (4), as well as presenting to regulators and policy makers on issues ranging from the low carbon economy, carbon disclosures, the Sustainable Development Goals, modern slavery disclosures, financial advice codes of practice, prudential guidance for fiduciaries and super fund governance.

RIAA works closely with our global colleagues through the Global Sustainable Investment Alliance, and over the past year has given support to the development of Sustainable Finance Roadmaps that have emerged in the EU (Action Plan on Sustainable Finance) the UK (Green Finance Taskforce). We also collaborate closely with other industry bodies, such as the PRI (through its Global Policy Reference Group) and regionally with the Investor Group on Climate Change on areas of policy intersection.

Sustainable Finance Roadmaps for Australia and NZ

Our policy work has seen a big step up in late FY2018 and continuing in FY2019 through our work to drive Sustainable Finance Roadmaps for both Australia and New Zealand. These roadmaps will set out the policy settings to better align finance with delivering a sustainable and resilient economy consistent with the Paris Agreement and the Sustainable Development Goals (SDGs). This work leverages the policy work emerging across Europe (High Level Expert Group on Sustainable Finance), the UK (Green Finance Taskforce), China, Canada and beyond, which have each set out strong policy action plans for a financial sector that plays a much greater role in delivering a sustainable economy.

Working closely with partners across the UN Environment Program Finance Initiative, PRI, IGCC, Principles for Sustainable Insurance as well as IAG and NAB, RIAA is taking a central role in driving the development of an Australian Sustainable Finance Roadmap. This process is bringing together an industry collaboration across investment, banking and insurance as well as regulatory and civil society.

RIAA has also been working closely with the New Zealand Government, through the Ministry of Environment, to support the New Zealand Sustainable Finance Initiative, recently announced to be co-chaired by NZ Super Fund CEO Matt Whineray and Westpac executive Karen Silk. This process is similarly based on the EU's High level Expert Group on Sustainable Finance and has set an agenda to produce a set of policy recommendations for New Zealand over the course of 2019.

We're encouraged to see the policy environment starting to catch up and play a more explicitly supportive role for responsible investment and sustainable finance.

RIAA's goal is to work closely and collaboratively on these processes to ensure they progress towards regulatory and legislative changes that enable finance to play a much stronger role in delivering sustainable economies consistent with the Paris Agreement and SDGs. This is a strategic focus area for RIAA throughout 2019.

Submissions in FY18:

Australia:

- Clean Energy Finance Corporation Statutory Review
- Inquiry into the UN's Sustainable Development Goals for the Foreign Affairs, Trade and Defence Committee
- Productivity Commission Superannuation: assessing competitiveness and efficiency

New Zealand:

- Code of Professional Conduct for Financial Advice Services
- Financial Services Legislation Amendment Bill, New Financial Advice Regime
- KiwiFund Bill
- Productivity Commission, Low Emissions Economy

Collaboration

RIAA works collaboratively with various other industry groups and stakeholders to help us progress our goals and amplify our impact. We expressly note in our strategy that we cannot achieve the objectives of RIAA and our members without explicit and targeted partnerships and collaboration. In FY18 RIAA was pleased to work formally and informally with a number of organisations including:

- **Global Sustainable Investment Alliance** – RIAA actively collaborates with the leading regional responsible investment bodies across the globe via our membership of the Global Sustainable Investment Alliance, but also directly where opportunities present, to share best practices and insights from research, policy, communications, and operations.
- **ESG Research Australia** – RIAA continues to house the ESG RA, working with the executive committee to manage and present the annual ESG broker awards that recognise and encourage the flourishing of high quality ESG research to inform the responsible investment community. In 2018 it was agreed that RIAA would add a new award for ESG research for non-brokers, to recognise the growing and diverse ESG research being authored by fund managers, NGOs, civil society, ESG research houses, proxy advisers and others.
- **Principles for Responsible Investment** – RIAA sits on the PRI Country Network Steering Committee and works closely with their staff in a number of areas including global policy, corporate engagement and through the Global Sustainable Investment Alliance.
- **Investor Group on Climate Change** – we continue to work closely, share content and collaborate where opportunities exist to amplify the investor voice on climate issues.
- **Impact investment groups** – RIAA works actively with many stakeholders across the impact investment community in Australia and New Zealand. This was formalised last year by establishing our Impact Investment Forum, and taking on the research assets of Impact Investment Australia (IIA). Through this program, we collaborate with IIA as well as the Australian Advisory Board on Impact Investment among many other groups involved in impact investment. In 2018 RIAA's CEO was also appointed to the newly formed Impact Investment National Advisory Board Aotearoa NZ to bring an investor perspective to the market development in New Zealand.
- **Civil Society and NGOs** – we work with civil society and NGOs on numerous matters, from our corporate engagement work, to informing our human rights program, to understanding shareholder resolutions. One such example is the agreement put in place in 2018 with Share Action in the UK to deliver the Workforce Disclosure Initiative in Australia.
- **Other groups** – we also delivered joint events and collaborated with other groups in FY18 including ACSI, Australian Investor Relations Association, Human Rights Commission, UN Global Compact, Sustainable Business Australia, UNEP Finance Initiative, Impact Investment Summit Asia Pacific and others.

Global Sustainable Investment Alliance



RIAA is a proud member of the GSIA, a collaboration of the largest sustainable investment organisations around the world covering Asia, North America, Europe and Australasia. This is an important organisation that brings together the critical insights of the local and regional markets to a global level, and ensures shared learning across global markets.

An important piece of work is our biennial Global Sustainable Investment Review, which maps the scale of responsible investment globally with the most recent report launched in March 2017 and providing important data that is cited across global media throughout the year. This report has since that time been downloaded over 50,000 times. The Report continues to be cited on a nearly weekly basis across global media in outlets such as The Economist, Financial Times, Reuters, Forbes, Bloomberg, Fortune, CNBC, The Australian, Sydney Morning Herald, Pensions and Investments, and many others.

The next iteration of this Global Report will be launched in early 2019.

[Visit \[gsi-alliance.org\]\(http://visit-gsi-alliance.org\)](http://visit-gsi-alliance.org)

Impact Investing Field Trips



In August and September 2017 and following on from the launch of the Impact Investment Forum, RIAA held its first two Impact Investment field trips in Australia. One was designed for institutional investors and another for financial advisers, family offices and philanthropic bodies.

The two-day field trips spanning Sydney and Melbourne provided unique opportunity for RIAA members and others to fast track learning around impact investing, and included meeting with pioneering impact investors, investees and key players in this growing field.

Topics included constructing a portfolio that delivers measurable positive impact, unpacking different asset classes for impact and diving into key impact themes including housing and conservation. The field trips also featured visits to organisations and programs financed through impact investments including social impact bonds and other unique structures.

In April 2018, we also held an Impact Investment field trip in Auckland, New Zealand for investors, trustees and advisers. Supported by Philanthropy New Zealand and Giving Architects, this full day field trip explored impact investing from institutional and private wealth perspectives. Participants were given a sense of the depth and breadth of the social and environmental themes that impact investing can cover and the variety of asset classes, with field visits to an organisation working with youth offenders in Māori communities and a social enterprise supporting local small-scale organic farmers.

In total, 48 people participated in RIAA's three field trips. People's experience and evaluation of the field trips was very positive, with some describing it as a highlight of their year.

[Read more here](#)

Our Members – *working to be an active & informative hub for responsible investment in our region, connecting our members and building the capacity of the industry*

RIAA comprises the most active network of responsible investors in our region, providing a platform for the industry through which we share insights and developments via our regular program of activities, events, webinars, working groups, field trips, joint corporate engagements and research. RIAA acts as a hub of timely and relevant ESG and ethical information keeping our members in touch and aware of important trends in the market.

Members

RIAA's work program is shaped by our members and delivered for the benefit of our members consistent with driving our strategy. RIAA continues to see strong growth in our membership spanning all parts of the finance industry, including superannuation funds, fund managers, banks, insurers, researchers, wealth management firms, consultancies, impact investors and beyond.

In FY18, RIAA saw a 25% growth in total member numbers from 174 to 220 members, on top of an 18% growth the prior year. RIAA's membership now represents a significant proportion of the Australian and NZ investment communities, as well as stronger international representation, with members who manage well over \$9 trillion in AUM.

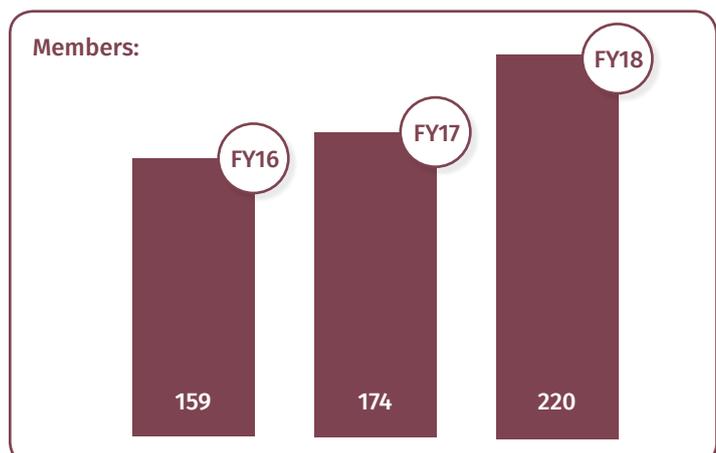
This growth is building an ever stronger and more diverse membership base, with greater representation across the full value chain from asset owners through to financial advisers, from retail to institutional. This is a unique strength of RIAA, and our growing membership helps both to better resource RIAA to deliver on our program of work, as well as build a strong coalition and voice for RIAA to press forward with the work plan and influence the shaping of a more responsible finance sector.

Our increasing membership base has enabled us to continue to increase the delivery of our services, from more events, more research and more geographically dispersed activities, such as a big step up in our engagement in New Zealand in the past year in terms of events, media and policy engagement.

Our New Zealand membership has continued to grow strongly reaching 23 organisations, up from just nine members two years prior (end FY16). This number continues to build in the period since the end of the financial year.

Financial advisers and wealth management firms continue to be an important part of the responsible investment value chain, representing the gate keepers and intermediaries between clients and their investments. We are seeing continued steady growth in membership in this category reaching 64 adviser members (up from 54) and having some major wealth management firms joining RIAA in 2018, along with their advisers.

RIAA would like to see even stronger growth in this part of the membership, and we're increasing our activities to contribute to educating the advice community about the opportunities in responsible investment. As the Royal Commission progresses, we see it as ever more important for advisers to deliver services consistent with responsible investment in order to properly know their clients, to act in clients' best interests and to deliver the best outcomes for clients.



Member satisfaction

RIAA undertakes a member survey annually to help us shape our work plan and prioritise our activities. In December 2017, the member survey showed strong satisfaction and support for RIAA by our members, including results agreeing that RIAA is good value for money and doing a good job of promoting RI in our region.

For the third year, we asked the question as to whether we do a good job of promoting RI in New Zealand with a big step up in our results acknowledging our increased presence and work in New Zealand.

RIAA notes that as we grow and have more members and a more diverse membership, we need to maintain a clear view of how our work program is providing valuable services to all members across all member categories.

Member feedback includes:

- 89% agree that RIAA does a good job of raising awareness around the case for RI in Australia (FY17: 93%),
- 87% agree that RIAA does a good job of raising awareness in New Zealand (FY17: 73%)
- 91% agree that RIAA supports its members (FY17: 95%)
- 89% agree that RIAA membership is good value for money (FY17: 93%)

RIAA activities which deliver the most benefit, according to our members, remain quite consistent. The Benchmark Report is the most beneficial activity, followed by the annual RI Conference, promotion of RI in the media, and our consumer research.

The member survey results are circulated to members each year early in the calendar year. We ensure at least a 20% response rate to these surveys and that we have good representation of each member category (FY18: 20%).

Member events

Key to remaining the hub of timely and relevant ESG, ethical and impact investing information for our members, RIAA delivers a constant program of events, webinars, working groups, conference calls and other activities.

In 2018 these activities have ramped up to ensure more than ever we are keeping our members informed. We ran 22 events reaching 1400 people (up from 18 events reaching 1234 people in 2017).

RIAA runs both large and small events, often bringing together parts of our membership that would benefit from closer collaboration and knowledge sharing to deepen their engagement, whether in working groups, roundtables, or other events where we partner with external organisations.

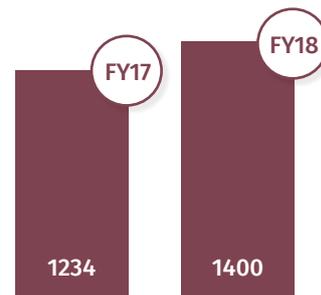
In FY18, our working group activities expanded again to bring on a new working group on human rights in response to member interest. Chaired by Mark Lyster of Action Sustainability, this has rapidly become one of our most active working groups, with around 60 members actively engaging in the group and sub-working groups.

Our corporate engagement working group, chaired by Dan Smith of CGI Glass Lewis, includes around 60 active members and continues to share insights into engagement activities, shareholder resolutions and facilitating collaborative engagements. There continue to be briefings from both corporates and civil society to keep members informed about company ESG issues.

Events Delivered:



Total Attendees:



Conferences

RIAA delivered our annual RI conferences in Sydney and Auckland in November 2017 with both events being sold out – 354 delegates in Sydney over two days (up from 240 delegates in FY17) and 125 in Auckland (up from 120 in FY17).

These events are important parts of the annual calendar for the industry, where participants share best practice insights, develop the skills across responsible investment, hear from leading speakers across key global issues and trends and network in readiness for the year ahead.

These conferences are becoming bigger and more popular events each year, as the industry grows, the need and demand for these events is growing rapidly. With that RIAA expanded out the program to two full days in Sydney, including a dinner for the first time.

The Auckland conference sells out well in advance of the event, and in FY18 we expanded the numbers quite significantly to better accommodate the interest.

Along with the size and scale of the events, these are a useful and well regarded part of the annual responsible investment calendar in our region, working to build momentum in the industry. They are also an important income stream for RIAA to help fund ongoing work to promote and build the industry.

Attendee feedback includes:

- 93% of attendees said the conference met or exceeded expectations
- 98% of attendees said networking opportunities met or exceeded expectations
- 98% of attendees said quality of content met or exceeded expectations

Research

As RIAA grows our membership and the breadth of our membership, our focus continues to be on providing the important industry research that underpins the growth of RI, but also that articulates and points to the leading practices within RI.

RIAA now has four major pillars to our research program:

- **Responsible Investment Benchmark Report Australia and New Zealand** – this research has measured the size, growth and performance of responsible investing for 17 years and gains the highest interest from the industry, media and in terms of downloads. We run launch events in both NZ and Australia, deliver media releases in both markets and reference this report throughout the year.
- **Super Fund Responsible Investment Benchmark Report** – the second iteration of this report was delivered in early 2018 aiming to map the level and approach to RI from the largest 50 super funds and asset owners in Australia and NZ.
- **Benchmarking Impact Report Australia** – launching in July 2018 (just after the end of FY18), this report is the first for RIAA (and the second iteration in the Australian market) and maps the impact investment sector in detail on growth, performance and outcome focus areas.
- **Consumer Research** – RIAA now undertakes regular consumer research to assess the expectations and interests of consumers in responsible investment. RIAA is alternating this research between Australia and New Zealand on a mostly annual basis with the second iteration being launched in Australia in November 2017. This has become important research to both promote RI to the public but also to guide our members in their own product development and marketing strategies.

With the step up in scale of the RI industry in both Australia and New Zealand, our focus has increasingly moved beyond growing the size of assets under management, to also improve the quality of RI practices by highlighting and defining leading practices. We are now undertaking such studies as part of this research looking at ESG integration, superannuation and impact investment. This works increasingly aligns with our Certification Program which aims to certify leading practices.

In FY18 and for the third time, our Benchmark Report undertook an assessment of fund managers undertaking ESG integration to acknowledge and promote leading practice. RIAA assessed 91 fund managers against a definition of leading practice in ESG integration, finding 16 demonstrated leading practices in ESG integration.

The Organisation – Working to build a strong and sustainable financial and operational base to be an impactful organisation

Strategic plan

RIAA's 3 Year Strategic Plan was launched in September 2015 clearly articulates the priority work areas for RIAA, and where our efforts are best directed to achieve our goals.

RIAA reports against this strategy to board and sets annual work plans in line with the goals of the strategy. RIAA has set targets against which to measure our success on delivering this strategy that we report on annually.

At the end of FY18, RIAA is near the end of this strategy (ending September 2018) and the board is working on the new strategy to present to the RIAA members. The board in calendar year 2018 has been focused strongly on a review and update to RIAA's Constitution, to bring to the 2018 AGM, and therefore determined to retain the current strategy until after those constitutional changes have been put to members.

RIAA is happy to report that as we near the end of this strategy, the organisation is managing to deliver on or making strong progress against the three year targets. Most noteworthy is the goal of lifting 'Core' responsible investments – that is screened, sustainability themed and impact investments – to 10% of the market. In the 2018 Benchmark report we were pleased to see this reach 12%, rising from 4.5% the previous year. This reflects the rapid take up of screening – in particular negative screening – across the Australian market in the last 3 years, from when this was a strategy across only 2.5% of the market and is perhaps the best reflection of the mainstreaming of responsible investment in Australia.

In New Zealand, this story is even stronger, with the 2018 Benchmark Report showing the vast majority of the New Zealand market having in place exclusionary screens, with a rapid rise in that market over that period of time from only 2.5% of the market in 2015. This was driven by a strong consumer push and industry response after a huge media focus on the KiwiSaver industry in late 2016 and reflected probably one of the most significant shifts of any market globally towards responsible investment.

Measuring our success

Focus	Target	Progress
Measuring the movement of capital into responsible investment products	Targeting growth in funds within Core Responsible Investments from 2.5% of total AUM to 10% total AUM in 3 years	<ul style="list-style-type: none"> • 2.5% in year 1 • 4.5% in year 2 • 12% in year 3
The impact of responsible investors through their active ownership practices	Progress more impactful RI industry through the use of all the tools available to active owners	<ul style="list-style-type: none"> • RIAA working to define leading practices in RI from ESG integration, to superannuation and impact investments. • Corporate engagement working group is coordinating engagements across our industry, including leading some joint engagements. • Certification program helps to define leading practice for more effective implementation of responsible investment.
The shift in policy and regulatory settings that enable a more responsible investment approach	Progress in shifting policy settings for long term, responsible financial markets	<ul style="list-style-type: none"> • Policy Platform launched in November 2015 • All submissions are based on that platform as the starting basis. • This platform is now moving to underpin the Sustainable Finance. • Roadmap Process that was launched in July 2018 with UNEPFI, PRI and IGCC.

Financial report

RIAA continues to build the financial strength of the organisation in order to properly resource the organisation to deliver an impactful agenda.

FY18 focused on rebuilding our financial strength and comprised the last year of a three year financial plan put in place with the Board and executive to respond to the sale of the RI Academy. The goal of that plan was to restore the organisation to profit and strong net equity.

Pleasingly we have achieved this goal, finishing FY2018 with a very strong financial outcome for the organisation with a strong surplus, strong cash balance and higher net equity whilst still having invested in our assets and adding staffing capacity.

The organisation has benefited for four years since the sale of the RI Academy to the PRI by receiving contingent payments based on a proportion of all sales from the now-named PRI Academy, in accordance with the terms of the sale. In September 2018 those payments cease, hence RIAA has been working to ensure we are financially strong independent of those payments.

The strong growth in revenue in the year has been underpinned by our two main revenue sources of membership fees and conference income (71% of total revenue), both of which have risen in the past year, together with securing strong sponsorship support to deliver our expanding set of research reports. Building out our work program, to include activities targeted specifically at certain categories or locations of our membership has been effective in attracting more members including impact investors or specialists; superannuation funds and KiwiSaver providers; New Zealand community trusts; and fund managers seeking certification.

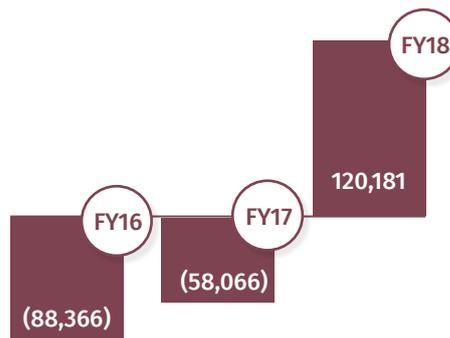
In FY17 we concluded the year with a financial surplus of \$120,000, a significant step up from the previous year's deficit of \$58,000. Cash reserves grew to meet our reserves policy reaching over \$400,000, and total equity reached \$252,000 (up from \$132,000).

The audited Financial Statement will be presented to members at the AGM 2018. For those who would like to see a full Financial Report, please get in contact with RIAA. RIAA's auditing services continue to be provided by Grant Thornton.

Table: Key financial figures for FY17

	2016	2017	2018
Revenue	499,847	673,150	1,034,950
Expenses	585,124	702,103	910,669
Total Comprehensive Income/Loss (after tax)	(88,366)	(58,066)	120,181
Net Position	190,699	132,633	252,814

Annual Budget Surplus/Deficit:



Good governance

RIAA's Board oversees and sets the direction of the organisation.

The Board consists of 13 directors, with representatives across the membership categories of RIAA. The Board maintains a skills matrix to ensure the Board has the skills and experience to appropriately govern the organisation.

In FY18, the Board met on six occasions as a full board, with all board members also being involved in board committees and related meetings.

RIAA is very thankful to the contribution that the volunteer Board make in assisting in driving RIAA's direction and focus.

Board members

- Pablo Berrutti – Chair – Colonial First State Global Asset Management
- Susheela Peres da Costa – Deputy Chair – Regnan Governance Research and Engagement
- Phil Vernon – Treasurer – Australian Ethical
- Simon O'Connor – CEO/Executive Director
- Peter Murphy – Secretary - Independent
- Karen McLeod – Ethical Investment Advisers
- Justin Medcalf – Bendigo Bank
- Anne-Maree O'Connor – New Zealand Super Fund
- Will Richardson – Impact Investment Group
- Matt Mimms – New Zealand representative – The Investment Store
- Sarah Barker – Minter Ellison
- Ross Peters – Christian Super – joined at 2017 AGM
- Talieh Williams – UniSuper – joined at 2017 AGM

RIAA would like to thank the directors who ended their board roles in December 2017:

- Greg Chipman – Independent – retired from the board after serving a 10 year term
- Jim Hardy – Community Sector Banking

Skills matrix and attendance

	PB	PV	SPDC	PM	SO	TW	RP	AO	WR	MM	JM	SB	KM
Role	Chair	Treas	D Chair	Sec	MD								
Secto/representation	Fund Manager	Asset Owner	ESG Research	Ind.		Asset Owner	Asset Owner	Asset Owner	Impact	NZ	Bank	Legal	Adviser
Tenure (years)	7	7	6	4	6	1	1	10	4	4	6	3	2
Investment and RI	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other ESG expertise	✓		✓		✓	✓		✓	✓				✓
Marketing/ Public Relations		✓	✓	✓	✓		✓		✓	✓	✓		
Legal				✓			✓					✓	
Accounting		✓		✓							✓		
Human resources/ industrial relations		✓		✓							✓		
Risk management and compliance	✓	✓		✓		✓	✓			✓	✓	✓	✓
Policy Development	✓	✓	✓	✓	✓	✓	✓	✓				✓	
Project management/ process improvement	✓	✓		✓	✓	✓	✓		✓		✓		
Education and training	✓	✓		✓							✓		
Relevant Networks	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Technology									✓				
Board or senior management experience		✓	✓	✓		✓	✓	✓	✓		✓	✓	✓
Attendance at board meetings 2018	5	3	6	4	6	1	3	4	5	6	5	6	4
Of possible Attendance	6	6	6	6	6	1	3	6	6	6	6	6	6

Board committees

The board maintains three committees and other ad hoc working groups as required. These committees are in operation to oversee important areas of work and governance.

- Governance Committee – Pablo Berrutti, Chair - 5 members
- Policy Committee – Susheela Peres da Costa, Chair – 5 members
- Certification Assessment Panel – Justin Medcalf, Chair – 2 members plus two external members have been co-opted as allowed under the terms of reference
- New Zealand Committee – Matthew Mimms, Chair

RIAA staff

RIAA are slowly building up a more well round team to support the broadening and growing work program. As at the end of FY 2018, RIAA has 5 staff members (3.8 FTE) based in Melbourne, Sydney and Auckland.

Staff at RIAA at end of FY18 were as follows:

- Simon O'Connor – CEO/Executive Director – 6 years
- Nicolette Boele – Executive Manager, Policy, Research and Certification – 4 years
- Josh Edmunds – Manager Operations and Member Services- 6.5 years
- Carly Hammond – Head of Marketing and Impact Investment Forum Program Manager - 1 year
- Alex Hamilton-Smith – Team assistant - 1 year

RIAA Constitution

At RIAA's 2017 AGM, it was flagged the RIAA Board had commenced a review and update of the RIAA Constitution that would be taking place over the course of 2018 in response to recommendations from a triennial Governance Review and updates to RIAA's operational focus since selling the RI Academy.

This Review has been underway with a goal of ensuring our Constitution better reflects current guiding legislation for Associations and the current operating focus of RIAA whilst setting RIAA to continue to build responsible investment across Australasia over the coming decade.

This Review is now complete after extensive reviews by the Board and consultations with members across 2018, and the Board has approved a set of amendments to our Constitution that will be brought to the 2018 AGM as a special resolution for approval. The Board believes these amendments clarify and focus RIAA's mission and activities to continue to build responsible investment across Australasia over the coming decade. The amendments also reflect current legislation for NSW associations and make some changes to improve the operation of the organisation.

Pro bono support

RIAA would also like to acknowledge the pro bono support received through the year from a number of organisations.

- Baker Mackenzie – provision of pro bono legal advice in relation to the Certification Program
- Regnan Governance Research and Engagement – providing office space to our Sydney-based staff
- Grant Thornton – providing verification services for RIAA's Certification Program
- KPMG NZ – providing verification services for RIAA's Certification Program
- Credit Suisse, Citi, KPMG (Australia and New Zealand), Australian Ethical, CGI Glass Lewis, First State Super, Minter Ellison and others who have provided meeting rooms for events, working groups, board meetings and other meetings for RIAA members, board and staff
- The Investment Store (New Zealand) – for providing market development support in New Zealand

So far in FY2018

At the time of writing this Annual Report in November 2018, the 2019 financial year is well underway and RIAA has already delivered on a number of important projects and activities.

Since the start of the financial year, RIAA has:

- Delivered Benchmark Reports for Australia and New Zealand that have shown the continuing strong growth of responsible investment in both markets;
- Delivered the second iteration of the Benchmarking Impact Report for Australia
- Delivered a record conference in Auckland with 170 delegates;
- Delivered a record conference in Melbourne with 370 delegates over 2 days;
- Continued to grow our Australian members from 197 members to 205 members
- Continued to grow our NZ members from 23 to 30 members;
- Launched consumer research in NZ in partnership with Mindful Money;
- Driving a strong policy agenda with numerous submissions, providing expert witness to the Productivity Commission and the SDG joint parliamentary committee as well as playing a lead role in the development of Sustainable Finance Roadmaps in Australia and NZ;
- Launched the ESG Research Australia Awards at the RIAA conference dinner, along with a new RIAA ESG research award for non-brokers for the first time; and
- Attracted approximately 140 media mentions.

We are looking forward to continuing to work with our members to grow the market for responsible investing at this pivotal stage in the evolution of the industry.



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For more information or to find out
how to become a member, please visit
responsibleinvestment.org or contact us at
info@responsibleinvestment.org