# MEDIA RELEASE

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## Annual survey shows responsible investment dominates in NZ

- Responsible investment grows to NZ$188 billion in 2018, a threefold increase over five years
- NZ leads other major markets with highest level of take-up of responsible investment
- Focus is shifting to finding positive investment opportunities in addition to screening out harmful sectors

Responsible investing has emerged as a fundamental practice for New Zealand's funds managers, and now accounts for more than 70 percent of total assets under management (AUM), according to the latest Benchmark Report issued by the Responsible Investment Association of Australasia (RIAA).

The fifth annual NZ RIAA Benchmark Report, released today by RIAA Chief Executive Simon O'Connor, shows a deepening commitment and more diverse range of offerings by asset managers, confirming responsible investing is now the bedrock of good investing.

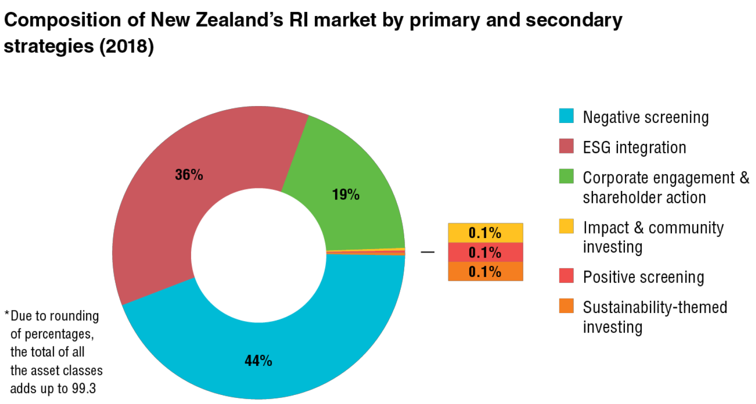
With data compiled by KPMG, the Report shows the sector grew three percent to reach $NZ188 billion in 2018. This represents a threefold increase on the NZ$58 billion invested in responsible funds only five years ago, at the end of 2013.

Assets managed in accordance with responsible environmental, social and governance (ESG)_ principles now represent 72 percent of New Zealand's total NZ$261.4 billion in AUM. By comparison, responsible investment funds in Australia represent just 44% of total AUM, according to RIAA's latest Australian Benchmark Report released last week.

"Over the last year, we've seen responsible investment practices continue to mature as the focus shifts beyond avoiding investing in the most harmful industries, to seeking out investments that contribute positively to New Zealand communities and the planet, alongside delivering better financial outcomes," Mr O'Connor said.

"The latest figures reflect a wider understanding that responsible investing is the foundation of good investment practice. The majority of investors believe that the number one driver of market growth is the strong financial performance of investments that consider environmental, social and governance factors."

The Report found managers used negative screening as a primary strategy, closely followed by ESG integration. The most common screens were controversial weapons and tobacco, followed by gambling, adult content, nuclear power and fossil fuels.



Mr O'Connor pointed to the events surrounding the recent mass shooting in Christchurch as highlighting the relevance of responsible investing.  The responsible investment community responded decisively to rule out investments in weapons, and took on large social media companies, imploring them to be more accountable for the content they publish and distribute on their platforms.

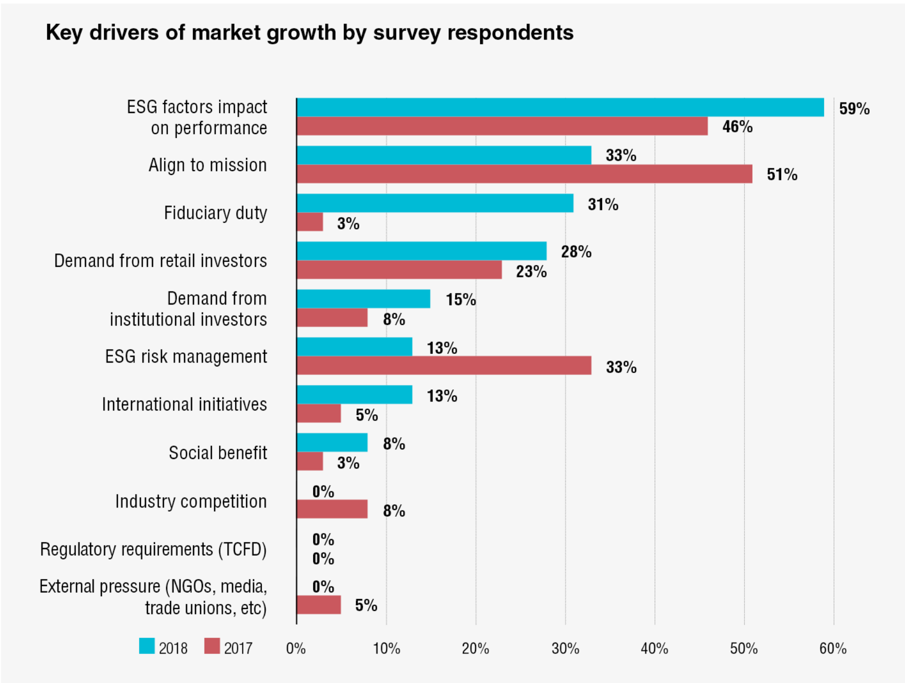
"Consideration of ESG factors is becoming the expected minimum standard of good investment practice, with a majority of New Zealand managers stating they have a commitment to responsible investment,' Mr O'Connor said.

"A base level of commitment is now mainstream in this market, and NZ has the strongest take up of responsible investment of any major financial market globally."

"Our Report is increasingly focusing on leading practice, and how investment managers can do more to deepen their commitments," Mr O'Connor said.  "For example, all investment managers with a commitment to applying ESG integration have been assessed, with only those demonstrating a leading approach included.  While the leaders are growing in number, there remain a majority who are yet to adequately demonstrate the effectiveness of their responsible investment commitments and are *able to evidence* their ESG integration practices."

Other key trends to emerge from the findings are:

- Positive screening nominated as a primary strategy for the first time, although only accounting for NZ$282 million of AUM
- Growth of 11 percent in sustainability-themed investing, with a growing number of funds focused on renewable energy, sustainable transport and social impact
- Additionally, impact investment is starting to gain momentum with NZ$358 million invested, primarily within green bonds
- Corporate engagement and shareholder action is the third most popular strategy
- Retail interest continued to grow with 10 new funds certified by RIAA in 2018
- Of the 25 managers assessed by RIAA only eight (up from four in 2017) were considered to have "a leading approach" to ESG investing




The growth in responsible investment reflects offshore trends, with global responsible investment assets reaching US$30.7 trillion at the start of 2018 (a 43 percent increase from 2016), according to data from the Global Sustainable Investment Alliance.

“Globally, momentum has seen the European Union (EU) regulators steer capital markets towards responsible investment approaches to protect the financial system from environmental and social risks, and to support the achievement of the emissions reductions to meet the commitments of the 2016 Paris Agreement. The New Zealand Sustainable Financial Forum is expected to have a similar impact in NZ,” said KPMG’s Director of Sustainable Value, Erica Miles.

The Report notes the Reserve Bank’s recent highlighting of the risks associated with climate change and its potential to have a significant effect on the country’s economy and financial system.

“Finance in New Zealand is making headway in the transition to a low emissions economy so as to adapt to the effects of climate change,” the Report said.

“A Green Investment Fund is being established, funding is better matching ambitions for widespread afforestation, climate change financial disclosures are becoming a boardroom issue, and green bonds are being created.”

“The shift in views of the fiduciary duty of funds, along with rising shareholder activism and members demanding greater alignment of their investments with their values has stirred increased media attention and fuelled the impetus for funds to seriously consider how they invest in terms of environment and social factors.”

Mr O’Connor said the establishment earlier this year of the New Zealand Sustainable Finance Forum will provide a framework to guide the finance sector’s role in achieving a more resilient and sustainable economy, and result in even stronger uptake of responsible investments.

The aim is to create positive impacts that support the objectives outlined in the Paris Agreement and the Sustainable Development Goals.

Although interest in responsible investing has grown, RIAA’s Report highlights “a lack of viable products” and local public awareness, plus performance concerns as potential impacts on future uptake.

The Report does not include performance figures for responsible funds, as the source data was considered too small to produce an effective sample but cites the continuing strong outperformance of responsible investment funds in the Australian Benchmark Report, with outperformance over the majority of time horizons.

The Report is the most comprehensive review of the responsible investment sector in New Zealand. The 2018 Report was the most comprehensive to date, reviewing the investment practices of 67 financial institutions.

To access the Benchmark Report visit:
**https://responsibleinvestment.org/resources/benchmark-report/**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