

MEDIA RELEASE

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Companies that do good are striking a chord with NZ investors: new RIAA report

Companies which look after their employees, minimise their impact on the environment, have good governance and protect human rights across supply chains have become a key focus for New Zealand investors, the landmark annual study from the Responsible Investment Association Australasia (RIAA) has found.

The new RIAA report undertaken in collaboration with KPMG, the *Responsible Investment Benchmark Report 2020 New Zealand*, shows that the vast majority (94%) of New Zealand investors now have a commitment to responsible or ethical investing. However just over half (52%) can demonstrate a leading approach that is contributing to real world outcomes.

“Responsible investors in New Zealand have shifted their focus from screening out harmful industries such as tobacco and armaments, to considering broader environmental, social and corporate governance (ESG) factors when investing, as well as making impact investments which aim to deliver positive outcomes for society and the environment” said Simon O’Connor, RIAA CEO.

“The COVID-19 pandemic has resulted in significant economic turmoil, severely impacting many people’s livelihoods and financial markets globally. But it’s become clear that responsible investors are ahead of the game. They are identifying the key themes influencing markets and returns, which helps them to better navigate turbulent times, avoid the biggest risks and capture more investment opportunities” said Simon O’Connor, RIAA CEO.

“Companies are unlikely to thrive if they ignore issues such as environmental degradation, animal welfare, health and safety, climate change, corruption and lack of diversity. Investors are fast realising that consideration of these issues provides more informed investment decisions, such as valuation and asset allocation.”

“The responsible investment market in New Zealand was worth \$153.5 billion in 2019. This represents 52% of the estimated \$296 billion of total professionally managed assets under management in New Zealand.”

“As the market continues to mature, we’re now witnessing rapid expansion in investors aiming not only wanting to avoid harm, but to also achieve positive outcomes through how they allocate funds.”

The report shows that impact investing has grown over 13 times from \$358 million in 2018 to \$4.74 billion in 2019. Green, Social and Sustainability (GSS) Bonds account for 88% of products using this approach. 2019 has also seen the launch of several pioneering impact funds investing in healthcare, regenerative agriculture, sustainable food production and social housing.

The growth in responsible investment reflects the preferences of consumers, as a RIAA and Mindful Money study released last year found the overwhelming majority of New Zealanders (8 in 10) expect their KiwiSaver or other investments to be invested responsibly and ethically.

Negative screening remains an important responsible investment strategy, with weapons, tobacco, and fossil fuels being the most frequently screened categories.

“For investors surveyed who are engaged in negative screening, screening for fossil fuel exploration, mining and production has jumped substantially from 45% in 2018 to 80% in 2019. Part of this is about catching up with consumer expectations as well as investors seeing that investments in old, dirty technologies no longer stack up financially.”

“There are some really great signs of a growing maturity in the RI market in New Zealand, and the convergence of mainstream investing towards an impact investment mindset - aligned with Te Ao Māori - which strives for holistic value creation. However, more can be done by the majority of asset managers to demonstrate how RI strategies are embedded into their investment approach and to measure and report on the associated impacts. Clients want it and investment mandates are increasingly demanding greater transparency” said Justine Sefton, Head of Sustainable Finance at KPMG NZ.

The growth in responsible investment domestically reflects offshore trends, with global responsible investment assets reaching \$US30.7 trillion at the start of 2018 (a 43% increase from 2016), according to data from the Global Sustainable Investment Alliance.

The RIAA Benchmark Report is the most comprehensive review of the responsible investment sector in New Zealand. The 2019 report reviewed the investment practices of 58 financial institutions.

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