

Responsible Investment Benchmark Report

2019 New Zealand



ABOUT THE REPORT

The Responsible Investment Association Australasia's (RIAA) Responsible Investment Benchmark Report is the most comprehensive review of the responsible investment sector in New Zealand.

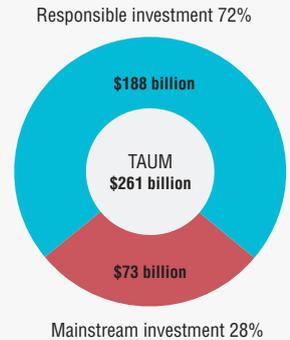
This is the 5th annual *Responsible Investment Benchmark Report New Zealand*. The report details industry data on the size, growth and depth of the New Zealand responsible investment (RI) market over the 12 months to 31 December 2018 and compares these results with the broader New Zealand financial market.

Responsible investment is now the foundation of good investment practice

The *Responsible Investment Benchmark Report New Zealand 2019* reinforces that a responsible approach to investing – one that systematically considers environmental, social and corporate governance (ESG) and/or ethical factors across the entire portfolio – spans the majority of the New Zealand finance sector and has become the minimum standard of good investment practice in New Zealand.

The responsible investment market is continuing its upward trajectory with associated assets under management growing 3% in 2018 to \$188 billion. This represents **72% of total professionally managed AUM (TAUM)**, now sitting at \$261 billion, and is a threefold increase on the \$58 billion invested in responsible funds only five years ago.

Responsible investment AUM as a proportion of TAUM

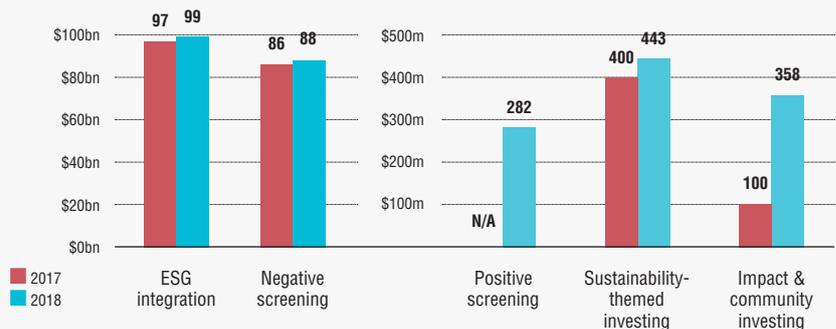


PROGRESSION ALONG THE RESPONSIBLE INVESTMENT SPECTRUM IS EVIDENT

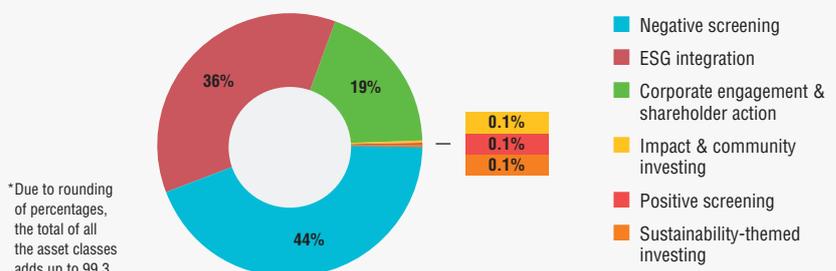
While 2018 saw modest growth in the assets under management associated with ESG integration and negative screening, there was progression along the responsible investment

strategy spectrum, with green shoots in positive screening and sustainability-themed investments as well as in impact and community investing.

AUM employed in primary strategies



Composition of New Zealand responsible investment market by primary and secondary strategies





DOWNLOAD FULL REPORT
www.responsibleinvestment.org/resources/benchmark-report

ABOUT THE RESPONSIBLE INVESTMENT ASSOCIATION AUSTRALASIA

RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand, and is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

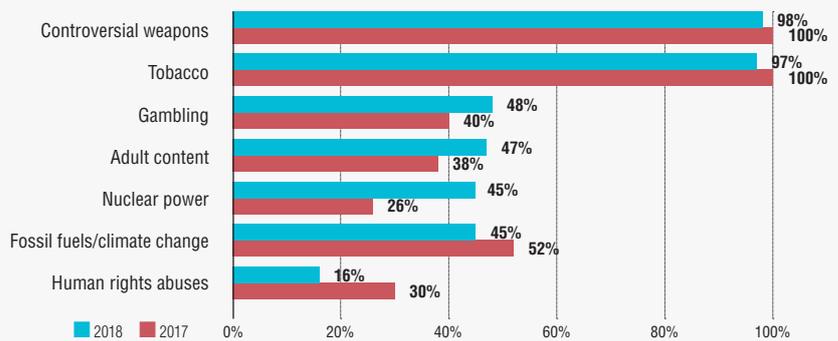
With over 240 members managing more than \$9.5 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Our membership includes super funds, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals.

NEGATIVE SCREENING IS THE MOST POPULAR RESPONSIBLE INVESTMENT STRATEGY

In New Zealand, the dominant responsible investment strategy is negative screening, which represents 44% of AUM, closely followed by ESG integration. Where ESG integration is nominated as the primary responsible investment strategy, it is usually paired with either corporate engagement and shareholder action, or negative screening, as secondary strategies.

Controversial weapons and tobacco are the most prevalent exclusionary screens among New Zealand investment managers, both by the number of funds applying the screens and by the AUM of the funds employing the screen. However the screens employed by investment managers are not always aligned with the issues prioritised by consumers, such as human rights.

Frequency of issues being screened



ENCOURAGING STRIDES IN DEMONSTRATING ESG LEADING PRACTICE, BUT ROOM FOR IMPROVEMENT

ESG integration accounts for the largest responsible investment strategy when considered by assets under management, with \$98.6 billion AUM.

Of the 25 New Zealand investment managers assessed for their approach to ESG integration, eight (32%) are applying a leading approach. This is a strong step up from the four managers included in the 2018 report,

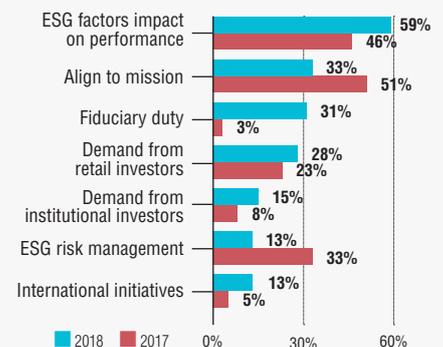
indicating a maturity and deepening of ESG practices in the New Zealand market over the past year.

The still-small numbers however, suggest that many New Zealand investment managers are yet to provide evidence of a detailed and systematic approach to their commitment to responsible investment.

GROWTH ATTRIBUTED TO STRONG PERFORMANCE

Almost 60% of survey respondents attributed the growth in responsible investment to the belief that factoring ESG considerations into investment decisions will have a positive impact on portfolio performance. ESG performance is also aligned with increasing institutional demand as asset owners continue to recognise that their members expect responsible investment strategies to be applied to their funds and this approach will not harm performance.

Key drivers of market growth by survey respondents



SUPPORTING ORGANISATIONS



RESEARCH PARTNER

