

Assembly of Investment Chairs

University of Otago

Responsible Investment
Association Australasia



Who we are

RIAA works to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy

We are 260 members across Australia and New Zealand who collectively managing over \$9 trillion AUM having operated for 20 years

Research

Certification

Promotion

Market Education

Events

Policy



RIAA'S RESPONSIBLE AND ETHICAL INVESTMENT SPECTRUM

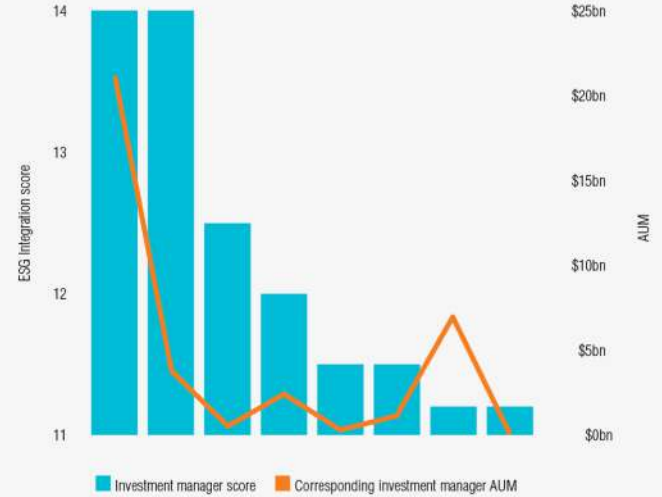
TRADITIONAL INVESTMENT		RESPONSIBLE & ETHICAL INVESTMENT						PHILANTHROPY
		ESG INTEGRATION (including shareholder engagement & voting)	NEGATIVE SCREENING (& norms based)	POSITIVE OR BEST-IN-CLASS SCREENING (& norms based)	THEMATIC/ SUSTAINABILITY THEMED INVESTMENTS	IMPACT INVESTING		
		MARKET RATE	CONCESSIONARY RATE					
FOCUS	Limited or no regard for environmental, social and governance factors	Consideration & analysis of environmental, social and governance (ESG) factors as part of investment decision making	Industry sectors or companies excluded/ divested from to avoid risk or better align with values	Investments that target companies or industries with better ESG performance	Investments that specifically target sustainability themes eg clean energy, green property	Investments that target social and environmental impact and deliver market rate financial returns	Investments that target social and environmental impact and deliver below market rate returns	Grants that target positive social and environmental impact with no financial return
IMPACT INTENTION	Agnostic	Avoids harm	Benefits stakeholders					
				Contributes to solutions				
FEATURES	Delivers competitive financial returns							
	Manages ESG risks							
			Pursues ESG opportunities					
				Intentionality: delivery of impact is central to underlying asset/investment				
				Impact of investment is measured & reported				

* This spectrum has been adapted from frameworks developed by Bridges Fund Management, Sonen Capital and the Impact Management Project

ESG integration scores of the 25 investment managers assessed



Leading investment managers and their ESG integration scores



New Zealand investment managers

- | | | |
|--------------------------|-----------------------|-----------------------------|
| AMP Capital Investors | HRL Morrison | Pathfinder Asset Management |
| Devon Funds Management | Mercer New Zealand | Southern Pastures |
| Harbour Asset Management | Mint Asset Management | |

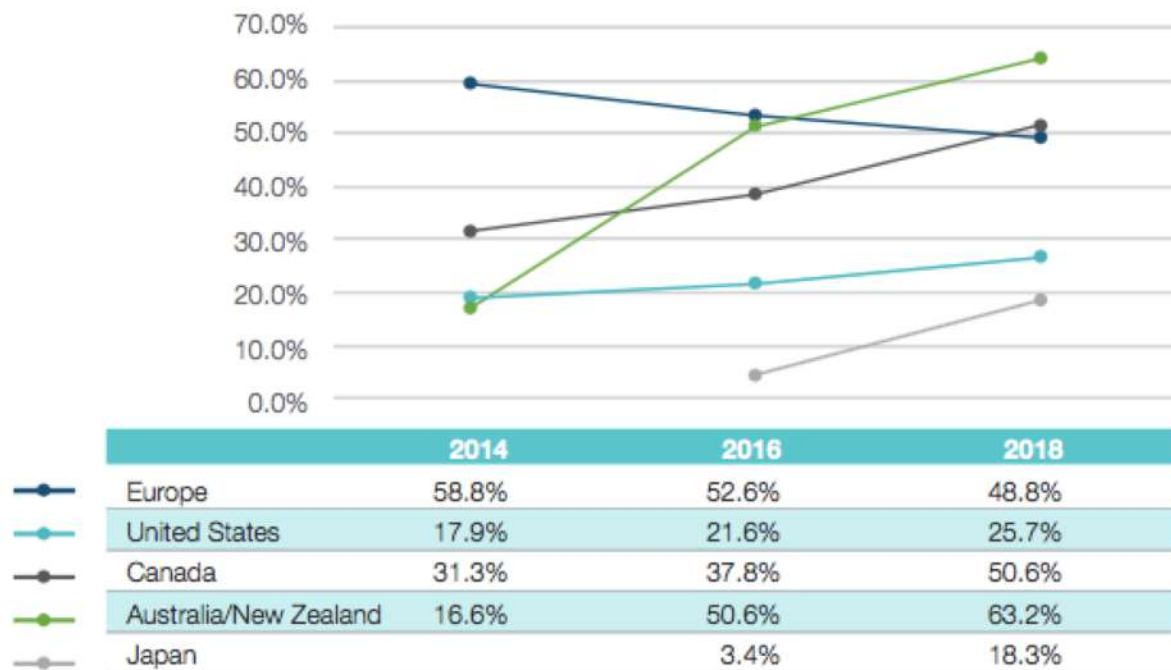
FIGURE 1: SNAPSHOT OF GLOBAL SUSTAINABLE INVESTING ASSETS, 2016–2018

Region	2016	2018
Europe	\$ 12,040	\$ 14,075
United States	\$ 8,723	\$ 11,995
Japan	\$ 474	\$ 2,180
Canada	\$ 1,086	\$ 1,699
Australia/New Zealand	\$ 516	\$ 734
TOTAL	\$ 22,890	\$ 30,683



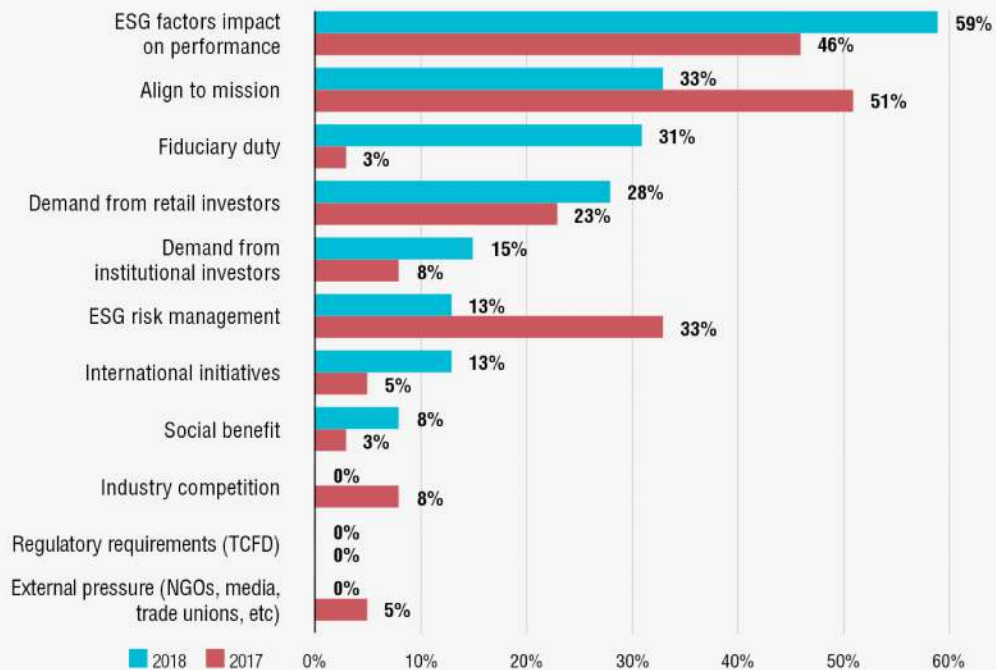
Note: Asset values are expressed in billions of US dollars. All 2016 assets are converted to US dollars at the exchange rates as of year-end 2015. All 2018 assets are converted to US dollars at the exchange rates at the time of reporting.

FIGURE 3: PROPORTION OF SUSTAINABLE INVESTING RELATIVE TO TOTAL MANAGED ASSETS 2014-2018



Note: In 2014, data for Japan was combined with the rest of Asia, so this information is not available.

Key drivers of market growth by survey respondents





ESG is the best signal we have found for future risk.

Bank of America Merrill Lynch



Portfolios providing material ESG metrics provided superior returns.

Harvard University



Socially responsible investing does not come at a detriment to financial returns. Indeed, the incorporation of ESG factors into the investment process might result in an outperformance effect.

NAB and Monash University Centre for Financial Studies

Harvard study:

Explains how and why ESG factors in responsible investment strategies impact portfolios, concluding “*portfolios providing material ESG metrics provided superior returns.*”

Sakis, Pinney, and Serafeim (Harvard Business School) ESG Integration in Investment Management: Myths and Realities, Journal of Applied Corporate Finance 28, no. 2 (Spring 2016): 10–16

Meta analysis study:

Meta analysis of more than 2000 empirical studies concluding that the business case for ESG investing is very well founded with the large majority of studies reporting positive findings.

Friede, Busch, and Bassen. “ESG and financial performance: aggregated evidence from more than 2000 empirical studies.” Journal of Sustainable Finance & Investment 5.4 (2015): 210–233

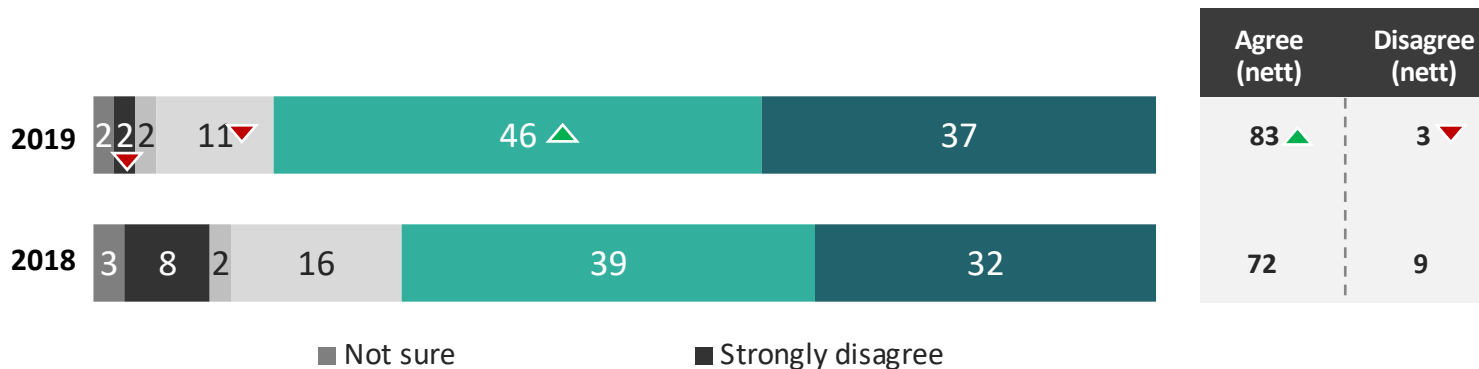
Performance of responsible investment and mainstream funds

Australian share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 17 and 34 funds sampled depending on time period)	-1.24%	5.70%	6.43%	12.39%
Morningstar: Australia Fund Equity Large Blend	-5.49%	4.87%	4.42%	7.95%
S&P/ASX 300 Total Return	-3.06%	6.65%	5.60%	8.91%

Expect KiwiSaver and other investments to be invested responsibly and ethically

An increasing number of New Zealanders with KiwiSaver or other financial investments expect their investments to be invested responsibly and ethically compared to 2018 – now 8 in 10. This expectation is higher among women, those aged over 60 and people with a university qualification.

% I expect my KiwiSaver and investments to be invested responsibly and ethically



The following demographic groups are more likely to agree (nett):

- Women (91%)
- Those aged over 60 (88%)
- Those with a university qualification (87%)

Base: All respondents with KiwiSaver or have other financial investments (e.g. share portfolio) (778).

Source: Q11

Q11. How much do you agree or disagree with the following statement? I expect my KiwiSaver and investments to be invested responsibly and ethically.

▼▲ significantly higher/lower vs 2018

xx/xx significantly higher/lower vs total

Regulatory landscape is changing



ASX Corporate Governance Code



ASIC Climate Risk



APRA Climate Change



Reserve Bank of Australia



Australian Accounting Standards Board



Australian Sustainable Finance Initiative



EU Action Plan on Sustainable Finance



UK Green Finance Strategy



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

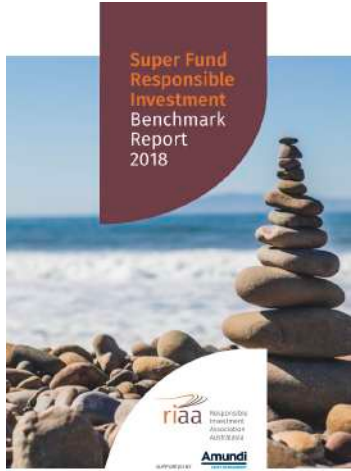


NZX

**NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA**

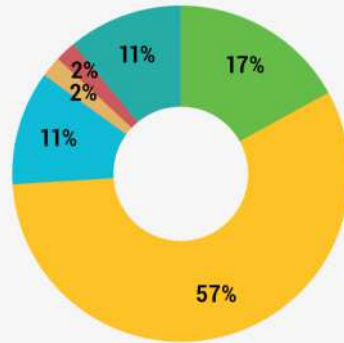
Implementation:

- Set your beliefs and framework – your anchor
- Informed by investment objectives and beneficiaries – norms can be helpful
- RI tools – go well beyond divestment
- Push your managers and consultants for information and to act
- Use available resources – NZ Super, RIAA, consultants etc.

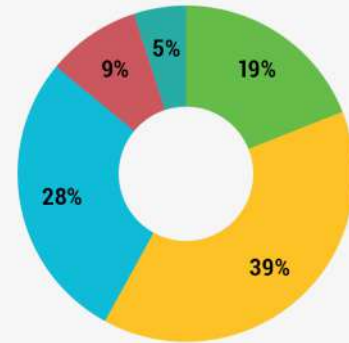


Financial return expectations

Active impact investors

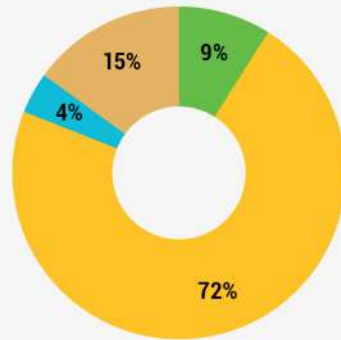


Investors not yet active in impact investing

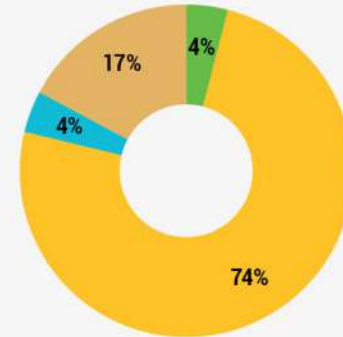


How are impact investments performing?

Financial performance



Impact performance



A child in a striped shirt and yellow shorts is jumping over a cliff edge, with the ocean and a sunset in the background. The scene is captured in a warm, golden light.

@RIANews

www.ResponsibleReturns.org

www.responsibleinvestment.org

Disclaimer:

The information in this presentation is general in nature and does not constitute financial advice. Past performance does not guarantee future results, and no responsibility can be accepted for those who act on the contents of this report without obtaining specific advice from a financial adviser. RIAA does not endorse or recommend any particular firm or fund manager to the public.

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