MEDIA RELEASE

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Greenwashing concerns grow as responsible investment in New Zealand hits $294 billion

The Responsible Investment Association Australasia (RIAA) today releases its annual Aotearoa New Zealand Benchmark Report, revealing the continued momentum of responsible investment. Assets under management (AUM) of the research universe grew to $294 billion in 2023, up 13% from the previous year.

However, greenwashing remains a critical challenge as the industry continues to evolve. Concern about greenwashing has become the key deterrent to market growth, rising from 35% last year to 61% in 2023. At the same time, Kiwi’s lack of awareness of responsible investment dropped to 30% in 2023, from 43% the previous year. Transparency efforts, such as stewardship reporting, are gaining traction, with 51% of organisations now offering detailed disclosures, up from 40% in 2022.

“The growth of responsible investment in New Zealand is representative of the increasing awareness of ESG issues in investment decision making, and the increasing scrutiny over how returns are generated. This year’s RIAA benchmark marks another significant milestone, with concerns over greenwashing top of the list of priorities,” said Pip Best, EY’s Partner, Climate Change and Sustainability Services.

“Responsible investment has shifted from niche to necessity, it’s now a foundation of how the financial industry operates. But rising greenwashing concerns put the spotlight on integrity and accountability. It’s positive to see investment managers being much more careful when making claims and labelling products. But there are also industry standards that could be better supported by government and regulators to give everyone the clarity and confidence they deserve,” said Dean Hegarty, Co-CEO of RIAA.

According to the report, 43% of organisations now identify ESG integration as having a direct impact on financial performance. Rising demand from retail investors, risk mitigation, and regulatory requirements are all driving the push toward ESG adoption.

“Whether it’s drought affecting agricultural output, supply chain vulnerabilities during extreme weather, or the cost of reputational damage in the face of diversity issues, the financial case for ESG is undeniable. Organisations are beginning to plan for resilience and success,” said Dean.

Regulatory changes are also playing a critical role in shaping the responsible investment landscape. In 2023, 26% of respondents identified regulatory compliance as a key driver of responsible investment, up from 9% in 2022.

“The question is no longer whether to invest responsibly. It’s how we can do it better, faster and with greater impact,” added Dean.

From avoidance to action

New Zealand organisations are increasingly embracing forward-looking strategies, with thematic and impact investing leading the way.

Thematic investing, which focuses on investing in themes such as renewable energy and sustainable agriculture, grew to $70 billion in 2023, reflecting the ongoing growth in investment strategies aligning with themes such as Paris-alignment.

Impact investing, which is designed to generate measurable social and environmental outcomes alongside financial returns, surged by 36%, from $11 billion to $15 billion.

While ESG integration, stewardship and negative screening remained the most widely adopted responsible investment approaches, the report reveals a shift toward solution-oriented strategies that target issues like biodiversity, community development and equitable opportunities.

To view additional insights and to view the full report, visit here.

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