**Investment Sector Must Accelerate Climate Action – Peak Bodies’ New Research**

The third annual State of Net Zero Investment report, based on survey responses by investors with more than NZ$230 billion under management, shows slow climate action by New Zealand’s major investors.

This is the third annual survey of New Zealand’s institutional investors by the Investor Group on Climate Change (IGCC), Centre for Sustainable Finance and Mindful Money. It shows the investment sector is not yet using its capital and its influence to drive the transition to net zero.

Climate-related risks to investment returns have become apparent as extreme weather, new technologies, changes in climate policy and consumer preferences disrupt businesses and their supply chains.

At the same time, huge opportunities are emerging. New Zealand’s Climate Change Commission estimates $34 billion of additional investment across key areas of the economy is required by 2035. Most of this funding will need to come from the private sector, potentially creating attractive investment opportunities.

Yet the 2023 survey of the investment sector shows slow progress in climate action taken over the past year, suggesting a lack of urgency. New Zealand’s managers of investment funds and institutional owners of financial assets continue to lag their counterparts in Australia and the EU.

**BOX: Key Findings of Respondents:**

* 30% had a strategy or plan for achieving their net zero objectives or targets. An additional 54% intended to produce one over the next twelve months,
* 77% had policies regarding fossil fuels,
* 100% used negative screening for some climate goals,
* 92% used corporate engagement, shareholder action and/or active ownership,
* 26% had a formal target, plan, commitment and or strategy for investments in climate solutions (public or non-public),
* 8% had assessed their entire portfolio for exposure to physical risk associated with climate change. When assessments were made, a high proportion of investors responded to the information; primarily by implementing negative screens (54%).

Jo Kelly, CEO of Centre for Sustainable Finance commented: “The focus on reporting by fund managers and asset owners has yet to be matched by specific commitments and actions to reduce the greenhouse gas emissions that they finance. “

“The proportion of investors that have targets for investing in companies that are aligned with climate action (such as companies contributing to the climate transition) or providing climate solutions (such as technology that enables others to reduce emissions) is small but growing. There are still almost two thirds of fund managers in New Zealand without a target, compared to one third in Australia.”

Rebecca Mikula-Wright, IGCC’s CEO commented: “The first steps have been taken by many fund managers. All of those surveyed have started to decarbonise their investments, usually through divesting from those fossil fuel companies failing to transition to clean energy.”

“It is good to see most fund managers are also increasing their engagement and stewardship across their portfolio, encouraging companies to set targets and reduce their emissions.”

Barry Coates, co-CEO of Mindful Money commented: “An analysis of the drivers of action on climate change shows that most respondents recognise that climate risk is a financial risk. They see climate action as a way to reduce the risks they face, and an important contributor to enhancing their financial performance.”

These risks are likely to increase as a result of inevitable declines on fossil fuel production and the prospect of huge liabilities for stranded assets – the reserves and production infrastructure that will have little value as production declines.”

Rebecca Mikula-Wright added: “Reductions in deforestation and protection of biodiversity are important pathways to reduce greenhouse gas emissions. While it’s encouraging that there is growing interest amongst investors in the interactions between nature and investment, less than one quarter of those surveyed have a policy on biodiversity, and only 15% have a policy on deforestation. These are similar levels to the Australian survey. We expect to see New Zealand investors accelerate their progress across all metrics in the year ahead.”

Barry Coates concluded: “The role of investors is crucial, both to drive climate action in New Zealand and to contribute capital for international action. Climate reporting is important but it must be a foundation for actions to reduce the emissions they finance, not just a compliance requirement.”

“In addition to their specific fund management roles, investors need to also use their influence with companies and government to raise the priority of the transition to net zero.”

**Background information for editors:**

This is the third annual survey of action on climate being undertaken by the financial sector, specifically fund managers and asset owners. The survey is a joint initiative of the Investor Group on Climate Change (IGCC), the Centre for Sustainable Finance (CSF), and Mindful Money. The survey was administered by Lonergan, and managed across Asia, Australia and New Zealand by IGCC. The New Zealand report was drafted by Deloitte New Zealand and managed by Mindful Money.

The aim of the survey is to gather information on the progress that the investment sector is making towards net zero. It includes insights into how investors are integrating climate risk into investment decision-making and investing in climate opportunities.

This survey was undertaken between mid-September and early October 2023. We received a total of 13 responses from a range of investors. While responses from smaller funds were lower than last year, continued participation from larger investors results in the survey covering approximately $230bn of Assets under Management (AUM), around two thirds of total AUM in New Zealand. The survey coincided with a particularly busy time for many fund managers, as they prepared their first report under the Climate-Related Disclosure (CRD) reporting legislation.

Questions in the survey are designed to align with the key recommendations in the [Net Zero Investment Framework](https://www.parisalignedassetowners.org/net-zero-investment-framework/) (NZIF), the actions detailed in the [Investor Climate Action Plans](https://theinvestoragenda.org/icaps/) (ICAPs) Expectations Ladder, and questions from previous surveys conducted by IGCC to allow for ongoing trend analysis. These frameworks and guidance documents cover various of the processes for transition, including:

* long term net zero commitments, plans and targets;
* climate policies;
* disclosure and reporting; and
* governance.

They also include the key elements for taking action, such as:

* decarbonisation and risk management;
* stewardship and engagement;
* investments in climate solutions; and
* advocacy.

**Contact:**

Barry Coates, Co-CEO Mindful Money; 021 365 165; barry@mindfulmoney.nz

Marwa Curran, Investor Engagement Manager, IGCC; marwa.curran@igcc.org.au