

# New Zealand Equity Monthly July 2021

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## ESG in New Zealand

### Positive picture for ESG in New Zealand

This month we turn our focus to environment, social and governance (ESG) issues. ESG is firmly in the spotlight at present, and this trend will only intensify in the future. In global terms, Europe's level of ESG legislation is more advanced than New Zealand's and ESG is more of a hot topic there. One recent development in New Zealand is that many companies are addressing modern slavery after Australia passed legislation requiring entities with annual consolidated revenue of more than AUD 100 million to report on the risks of modern slavery in their operations. The picture for ESG in New Zealand is positive on the whole, and companies are making encouraging progress on documentation, disclosure and other actions. There has been a marked improvement in the last few years, and it is clear that prioritisation of ESG by boards and management teams is producing positive results.

New Zealand companies are also performing strongly in the social and environmental areas as well as in governance. The role of an asset manager is to assist and support companies in those areas, and it is the companies themselves that take the lead in addressing them. The social and environmental elements of ESG are currently attracting a great deal of attention. This brings in a greater government perspective and requires asset managers to add a wider social and stakeholder context to their engagement and expectations.

ESG is a critical part of our process at Nikko AM New Zealand. ESG was integrated into Nikko AM New Zealand's fundamental research framework in 2017. This means that each analyst is responsible for understanding ESG and promoting related discussions rather than relying on one person outside the team. Nikko AM is also committed to sustainable investing both in New Zealand and globally. The company became a signatory to the UN's Principles for Responsible Investment in 2007, and the heads of New Zealand's fixed income and equity teams are both members of the Global Steering Committee on ESG.

### ESG processes

In our day-to-day processes, we try to have meaningful interactions with all companies we are engaged with by discussing research reports from MSCI as well as asking open questions. We also log all our ESG-related interactions with companies to ensure that both we and the companies are making adequate progress. Ratings are based on global best practice rather than local criteria. Instead of drawing conclusions automatically, our approach is to work on understanding why a company's rating is lower than expected.

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