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**Media Release**

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**For immediate release**

**Tackling greenwashing: Doing what It says on the tin**

The former CEO of the Financial Markets Authority (FMA), Rob Everett, signalled a stronger role for the FMA in ensuring that investment funds do not mislead their investors. He was fond of calling on fund managers to ensure they “do what it says on the tin”. Yet exaggeration and misleading claims are still rife across New Zealand funds management.

Mindful Money has recently written to all KiwiSaver and retail investment funds calling on them to close the gap between what ethical policies they claim to be applying and what is actually in their investment portfolios. Mindful Money will follow up with funds that have investments that are not consistent with their ethical policies.

Barry Coates, CEO of Mindful Money explained: “When fund providers tell the public they are excluding products like tobacco or fossil fuels from their portfolios, they should ensure this is reflected in their actual holdings. Similarly, if they are saying they have influenced companies through engagement, they should be clear about which companies, what actions and what changes were made.”

“The most effective antidote to greenwashing is an informed consumer. Mindful Money was established as a charity to provide free information to the public on portfolio holdings. Anyone can see what investments are in any of the 740 KiwiSaver and retail investment funds on Mindful Money’s website.”

In the latest survey of the New Zealand public, over half said they are concerned about greenwashing and 63% said they wanted to know which companies their fund invests in.

“Too many funds have actual holdings that do not reflect their statements about being ethical, responsible or (Environmental, Social, and Governance (ESG) managers. Investors should be aware that the fund they have chosen may not be what was advertised on the tin.”

**The role of the regulator**

Across the Tasman, the Australian Securities and Investment Commission (ASIC) has been active in countering greenwashing. ASIC recently issued three infringement notices to investment manager Vanguard, saying it was concerned that product disclosure statements for the Vanguard International Shares Select Exclusions Index Funds may have mislead the public by overstating an exclusion. Vanguard paid $39,960 in compliance with the infringement notices on 1 December 2022.

Vanguard funds are a major component of the portfolios of many New Zealand fund providers. However, it is by no means the only fund provider that does not fully implement its exclusions of broader ethical, responsible or ESG claims. There are many examples of the gap between policy and practice that can be seen on Mindful Money’s website.

The FMA has recently undertaken an analysis of selected fund providers making such ethical claims and revealed that all had weaknesses in providing adequate information. Mindful Money is calling for follow up compliance action by the FMA, similar to ASIC’s action.

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**Editor’s Notes**:

Mindful Money’s analysis categorises holdings into ‘issues of concern’. These are issues that a large majority of the New Zealand public want to avoid in their investments, shown in [annual surveys](https://mindfulmoney.nz/news/entry/charting-consumer-demand-responsible-investing-aot/). Mindful Money consults with the investment sector on the definition of those issues of concern and publishes the definitions on [our website](https://mindfulmoney.nz/news/entry/mindful_money_methodology/).

**Beyond compliance**

The FMA’s [analysis of 14 funds](https://www.fma.govt.nz/assets/Reports/Integrated-financial-products-Review-of-managed-fund-documentation.pdf) was released in July this year. While the FMA’s compliance role is important, Mindful Money considers that combatting greenwash must include measures that enable consumers to make informed choices. This must be the foundation of client-centred investment. Consumers have different standards and preferred approaches – they need accessible and comparable information on how their fund choices align with their values.

Barry Coates commented: “Consumers need to have standardised measures for reporting on ethical investment, to allow them to make compare across different investment options. These measures do not yet exist. Current work by the External Reporting Board should extend to the development of mandatory standards for social and environmental impacts of investment, rather than just voluntary reporting standards. This would complement the introduction of mandatory climate disclosures.”

The FMA undertook [qualitative research](https://www.fma.govt.nz/assets/Reports/FMA-ethical-investment-research.pdf) amongst consumers earlier this year. The results include the observation that: “Almost no one in our study had heard of Mindful Money or thought to check Sorted, yet this is precisely the kind of service they wished they had access to, some even spoke about wishing they had checked these sites at the time.” Mindful Money is calling on the FMA and other government agencies to tell members of the public about sources of information that would help them make informed choices.