



# ETHICAL INVESTMENT JOURNEY RESEARCH

FINANCIAL MARKETS AUTHORITY › JULY 2022

**fiftyfive5**

 **FMA**  
FINANCIAL MARKETS AUTHORITY  
TE MANA TĀTAI HOKOHOKO

## THIS REPORT...

Contains findings from a qualitative study interviewing a range of New Zealanders about their experience with ethical\* investments.

It covers the underlying factors that drive people toward considering an ethical investment (KiwiSaver or managed fund) and their experiences of navigating the different providers and products on offer.

It also provides detail on specific triggers and difficulties during people's journey toward buying ethical investments.

It covers the types of information people find most useful, challenges facing potential ethical investors, and factors providers should consider to improve people's experience

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# BACKGROUND

## CONTEXT

There has been a significant increase in investors looking into ethical investing options. In December 2020, the FMA published the disclosure framework for integrated financial products which sets out ways for issuers to meet the particular disclosure requirements of these funds, to help investors make informed decisions and be confident that these products are true to their labels.

The FMA conducted this consumer research to investigate the role disclosure plays in an investor's decision to invest in a product identified as being ethical, which information sources they turn to, and any perceived barriers they face when considering investing ethically.

## ABOUT THE SAMPLE

- N=20 60-minute qualitative video interviews over the period of 19 January to 8 February 2022
- All either recently invested in (last 18 months) or actively considering investing in a managed fund or KiwiSaver
- Solely or jointly responsible for decisions about their personal investments
- Mix of regions, including South Island
- Included Māori, Chinese, Pacific but no quotas set
- 12 females, 8 males
- All aged 18 years or over, and mix of ages
- Mix of income ranges across sample

## SAMPLE STRUCTURE

	SINK/ DINK	Younger family (children under 12 years)	Older Family (children 12 years and over)	Empty Nesters & elderly
Current owners of managed funds / KiwiSaver	n=4	n=4	n=3	n=1
Actively considering investing in managed fund / KiwiSaver	n=3	n=2	n=2	n=1

# SUMMARY FINDINGS

## CATEGORY LEVEL

**'Ethical investment' is the term by which most people define the category, while other terms can cause confusion**



For most, 'ethical' is the best umbrella term to define all types of ESG activity

'Responsible investment' is also a meaningful term, especially when seen together with 'ethical'

Terms such as 'sustainable' and 'social' have nuanced meaning that is open to interpretation, or cynicism over corporate motives

**People are motivated to consider ethical investing at different levels of engagement – from wanting better ROI, to impact investing**



**Seems better to than not to:** when all else is equal, prefer the ethical choice or want better ROI (return on investment)

**Don't like idea of investing in what's bad:** want to do the right thing when they get the chance

**Invest in line with wider values** and use money for good, as they would with other consumer choices

**Want to make an impact** through actively positive choices

**Several factors underpin people's desire to consider an ethical investment**



Several emotional factors can trigger people to act

**Guilt** on discovering how their money is invested on their behalf

**Discomfort** in not having made the effort to make a change, despite underlying suspicions

Sense of **responsibility** to do more, make an impact

**Empathy** with specific causes within their broader life experience

**People find the category difficult to navigate and are not confident in their own knowledge of what to look for**



People find the category filled with difficult language they feel isn't designed for non-professionals, think it is impenetrable, daunting, overwhelming and lacking in support

Some people tackle this head-on while others look for simple signpost language to help them, and others simply procrastinate

# SUMMARY FINDINGS

## JOURNEY LEVEL

**The longer a journey takes, the more likely it is to result in non-purchase of an ethical product**



How busy people feel, how equipped they feel to understand the category and how critical they feel the decision is all impact how quick a journey is

People who are more cautious tend to take longer, seeking to triangulate multiple sources of information, and may never purchase, while those that keep the process short tend to buy

**People don't delve too deeply into disclosure documents, but rely on advice from other people, or basic information on websites**



Product disclosure documents are rarely read and are unlikely to be a factor in product or provider choice  
Instead, people refer to website marketing material

Key statements about a company's purpose or founding values carry much sway, as does the level of knowledge customer service staff have

**Smaller providers are more likely to be seen as ethical than larger ones**



Newer providers are more likely to be seen as having ethics at their core, as their newness sets up a challenger mentality that aligns with seeing the world differently, thinking ethics-first

Larger providers offer reliability of investment but can be seen as being slow to act on ethical investing, or not necessarily in it for the right reasons

**Once bought, few people engage deeply with their ethical product**



Most ESG product owners who had bought within last 18 months had not checked the ongoing ethical credentials of their product, only its performance in some cases

It seems most people wish to set and forget



# DRIVERS OF ETHICAL INVESTING

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# PEOPLE HAVE A WORKING UNDERSTANDING OF WHAT 'ETHICAL' INVESTING MEANS



## **Ethical investment:**

Is the primary term by which most label the category  
For most, it is the category term that covers all subsets of issues, interests and motivations

## **Responsible investment:**

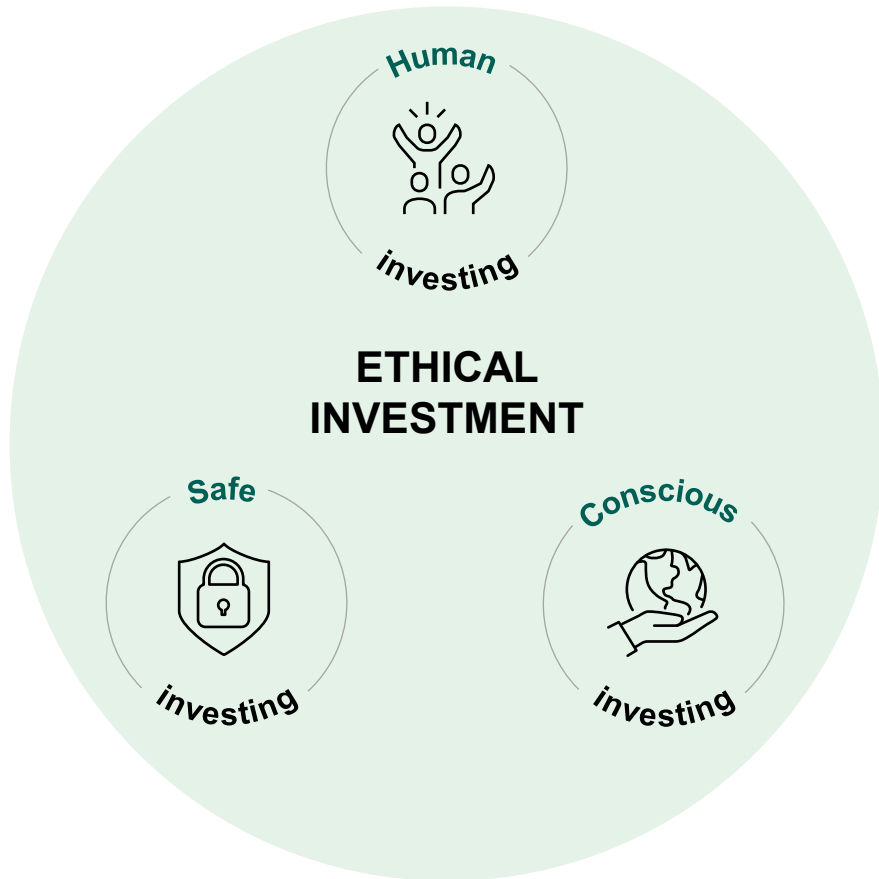
Also, a strong and meaningful term which again allows scope to encompass many ethical issues/priorities  
People have a base level expectation that any product labelled as such would not invest in any questionable or irresponsible activities or companies

**'Ethical investment' is the most accepted and understood term to define the category**

*"Doing right by anything, the environment, other businesses, supporting other people"*

*Female, young family, ESG product holder, South Taranaki*

# PEOPLE DO USE OTHER TERMS TO DESCRIBE THE BROADER GOOD/INTENT OF ETHICAL INVESTING



## **A set of descriptors that underlie people's expectations of ethical investing**

Each phrase talks to the underlying humanity of people's hopes for ethical investment...

Ultimately it's about people, and the need to not harm or negatively impact their lives and community

Indeed in some cases, to actively help them thrive

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**There is a basic, underlying humanity to people's intentions, for their money to support kindness to others**



# THERE IS SCOPE FOR MISUNDERSTANDING AND CYNICISM IN SOME TERMS



## MISINTERPRETED

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### **Social investing**

Brings a social element, can be associated with platforms that offer peer-to-peer lending or have an element of sharing progress

For some, applies more to app-based services such as Sharesies, or even interpreted as the idea of investing in social media



## ISSUE SPECIFIC

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### **Sustainable and social investing**

Speaks to specific agendas within a subset of ethical investing

Either about the environment or community projects, which for many, are too narrow in and of themselves to offer the more holistic take on ethical investment people presume should apply



## CO-OPTED WORDS

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### **Sustainability**

For a minority, words such as sustainable, on their own, aren't especially meaningful

People can see it as greenwashing, used by corporations to talk to a progressive agenda without being able to credibly back it up

**‘Ethical’ and ‘Responsible’ are key adjectives to define a wider idea, but need some degree of extra description to fully describe their specific meaning in any context**

# PEOPLE'S ENGAGEMENT IN ETHICAL INVESTMENT IS A SPECTRUM



## SEEMS BETTER TO THAN NOT TO

Likely to have been focused on return on investment as primary driver of product selection

When all else is equal, opt for the least bad / most 'good' investment as a way to feel better about doing something worthwhile for the world

Are aware of potential negative impact money can have on various issues but are not likely to have spent much time researching it

Looking for simple cues, information that tells them their money isn't making the world a worse place

*"I hadn't heard of ethical investments before my financial adviser mentioned it"  
Female, young family, ESG product holder, rural Methven*

## DON'T LIKE IDEA OF INVESTING IN WHAT'S BAD

See themselves as moral people that try to do the right thing when given the chance

Likely to not have much emotional investment on any specific issue but have a broader underlying sense that it's better to not make the world any worse than it already is

Are also aware of potential negative impacts that investments can have, so want a catch-all, broad-based product that satisfies their need to feel no harm is being done in their name

Still want a balance between a good return and not doing wrong

*"I had to physically call the current company to get the information ... I did this with a lot of companies ... took 3-4 months to research"  
Female, young family, ESG product holder, South Taranaki*

## INVEST IN LINE WITH WIDER VALUES

Are motivated to use their money for good and are likely to see their broader behaviour as a way to yield a degree of consumer power

Will prioritise ethics in their investment choices and are happier to take a potential hit on returns

May have issues they care more about than others but still take a holistic view to ethical investing and want products that are ethical across the board

*"I actively avoid any mining, fossil fuels or companies that will cause environmental damage."  
Male, DINK, ESG KiwiSaver product holder*

## WANT TO MAKE AN IMPACT

Highly motivated by making actively positive choices in terms of how their money is used

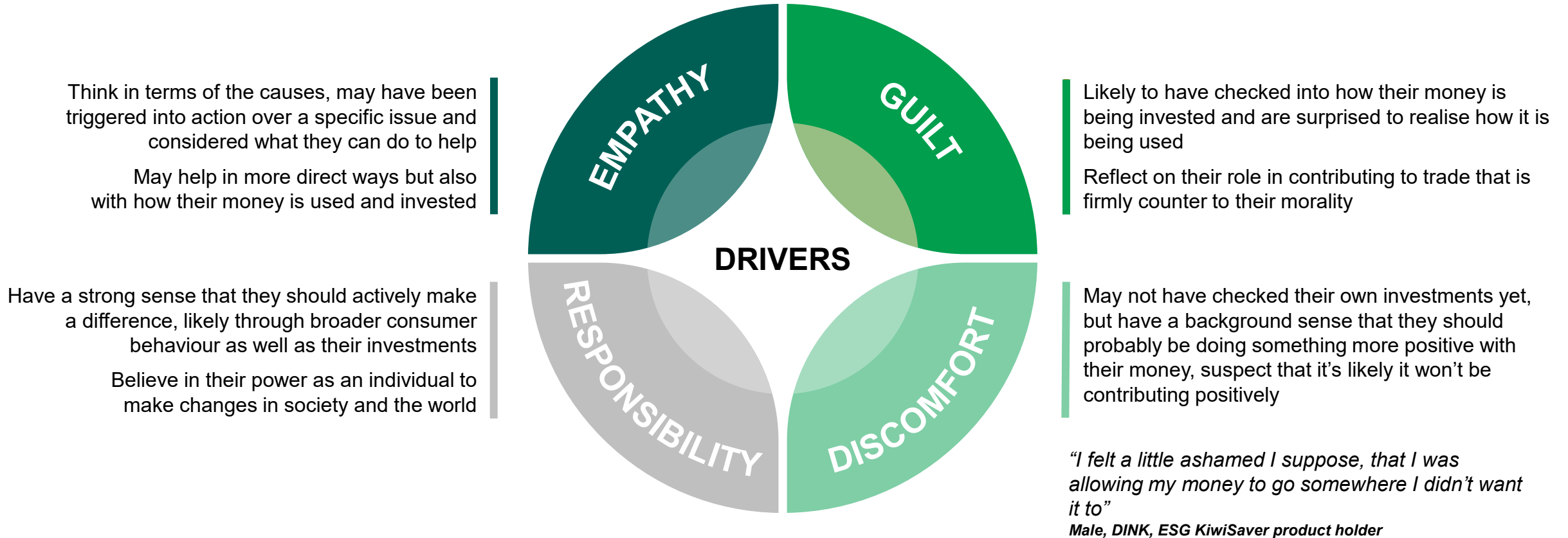
More likely to have specific issues they care about and may well drill into specifics to figure out how well a product stacks up against this

Furthermore, more inclined to want to see evidence of initiatives their money is actively supporting through impact investment

Also interested in providers that are themselves ethical

# SEVERAL EMOTIONS THAT UNDERPIN PEOPLE'S DESIRE TO INVEST ETHICALLY

More pulled into action ← ————— → More pushed into action

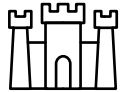


People may experience a combination of emotions that ultimately drive them to act

When assessing products, it's these underlying drivers they look to address

# MANY PEOPLE FIND EXPLORING FUNDS, LET ALONE ETHICAL FUNDS, CHALLENGING

## Many people don't feel confident when it comes to investments and choosing funds



**Impenetrable:** seems like a world filled with legalese, designed to exclude them



**Daunting:** can seem like too big a challenge, a process of having to upskill and build knowledge before even beginning to make decisions



**Overwhelming:** initial Google searches return a huge amount of responses, leaving people overwhelmed and unsure where to start



**No support:** there is very limited awareness of anybody out there to help support eg Mindful Money

### People respond in one of a few ways



**Knuckle down and get into it:** tackle the problem, do their best to learn the category or at least seek advice from multiple trusted sources to help orientate themselves



**Look for shortcuts:** rationalise process by trusting decisions to instinct and looking for quick answers from a small number of trusted sources: may even look at just one provider



**Procrastinate (often Considerers):** simply delay making a decision and mentally file the task onto a to-do list, hoping that over time, some piece of illuminating information will appear



*"I Googled what options there were, but I didn't get very far, I didn't understand it" "It was all about the rates and what you might get out of it, it was language that means nothing to me"*  
*Female, young family, Considerer*

*"It takes time to do yourself, there's so much stuff on the internet, it's easy for anyone to put stuff there"*  
*Female, young family, ESG product holder, rural Methven*

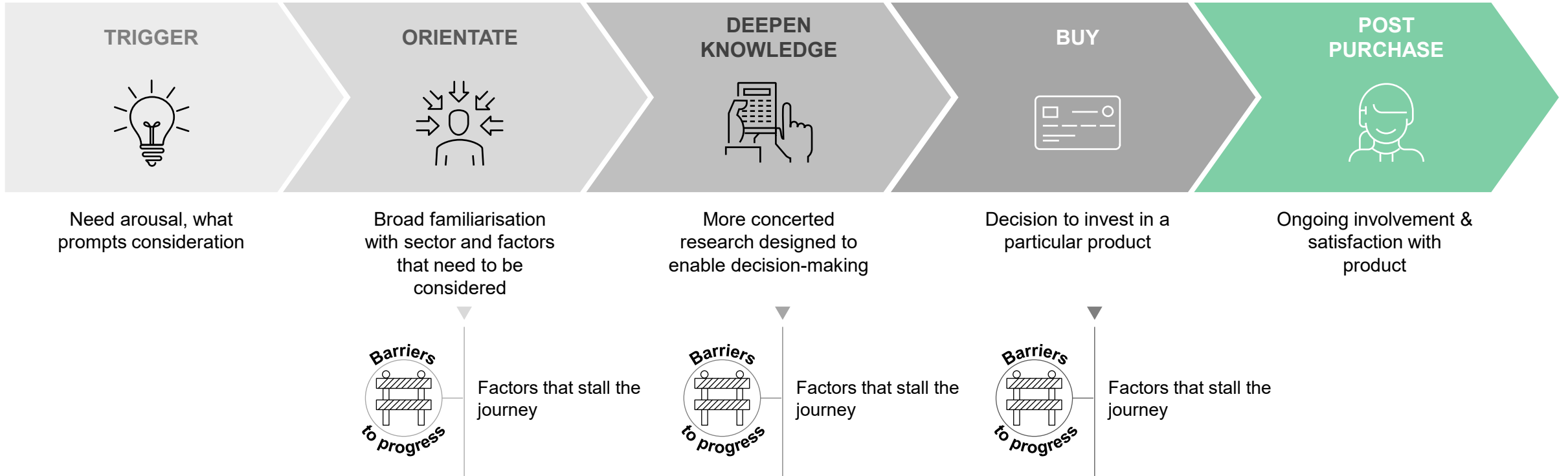


SECTION 3

# ETHICAL INVESTMENT JOURNEY

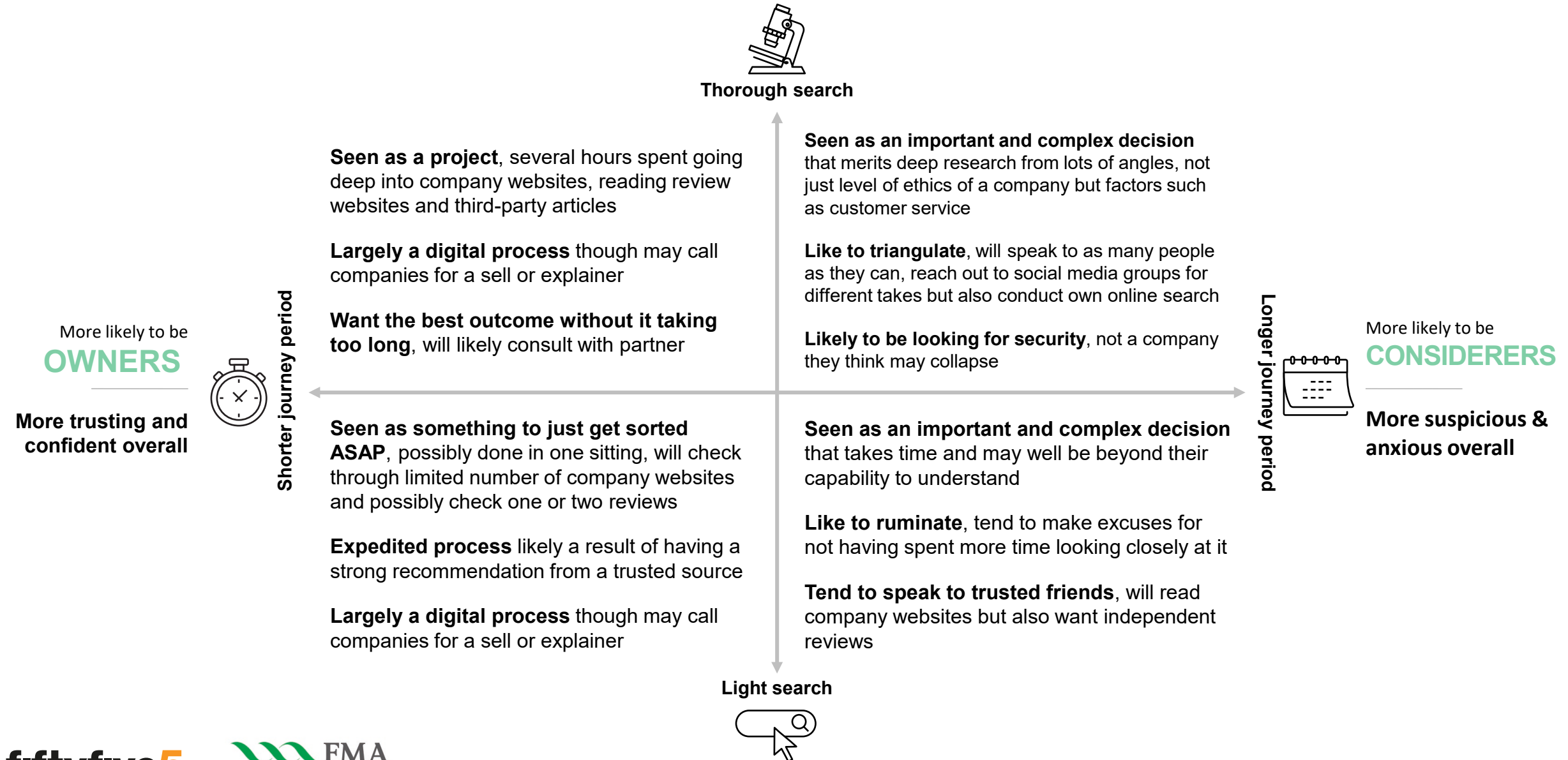
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# THE JOURNEY OVERVIEW



**People pass through the journey at vastly different speeds, anywhere from a day to a year, or even longer  
 Many short-cut certain aspects of Orientate and Deepen Knowledge for a quicker experience, while others take a long time to consider before feeling ready to move to the next stage**

# DIFFERENT APPROACHES TO THE JOURNEY IMPACT HOW INVOLVED IT IS





TRIGGER



ORIENTATE



DEEPEN KNOWLEDGE



BUY



POST PURCHASE

## TRIGGER: SEVERAL EXIST, WITH NZ HERALD STORIES A KEY BACKGROUND DRIVER



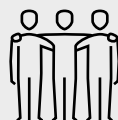
### NZ HERALD STORIES

Articles published by the NZ Herald on ethical investing were cited and back of mind for many

Has **sensitised people** to issue of unethical investments, reinforced perceptions of larger providers as somewhat mercenary but more driven a sense into people of **guilt, complacency** and ultimately a feeling of...

#### Not in my name

Even if people have taken some time to respond, it has acted as a provocation



### FRIENDS & FAMILY

Arise out of conversations with close connections that are more active in their ethical choices

Examples include talking to **work colleagues** about their policies, an **uncle** passing on general financial advice and a **daughter** convincing her parent



### COMMUNITY

Investment in positive funds can be more normalised within certain communities

**Ngāi Tahu Whai Rawa** scheme an example of an idea that sets tone for positive investing and primes people to consider how their broader wealth is being used



### FINANCIAL ADVISER

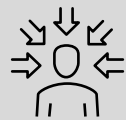
**Financial advisers** tend to take more holistic view of their client's assets and wealth generation

Recommendations in part being made on **basis of return levels**, not just ethics, suggesting FAs are pushing the case for the strength of such products





TRIGGER



ORIENTATE



DEEPEN KNOWLEDGE



BUY



POST PURCHASE

## ORIENTATE: BUILD UNDERSTANDING TO GROW CONFIDENCE



**AIM: familiarise with category, its language and the various providers**

Most people have very limited idea about what options are available to them, and want to build some basic understanding before they begin to research in earnest



**APPROACH: seek the views of other people**

### BEHAVIOURS

Speak to current provider seeking information

Friends and family members with perceived expertise to find out what product they use

Post on social media, possibly in specific groups, requesting advice, first-hand experience

Look for articles online, see if there are any expert opinions out there to help

Read review websites to tap into the expertise and experiences of others, e.g. on Reddit

### OUTCOME

**People feel they have understood the basics**



### PAIN POINTS

Big providers (banks) can seem unhelpful, hard to get information from

May take a long time to meet relevant people, find the right moment to discuss

May be hard to assess quality of advice, doesn't necessarily provide answer, instead can contribute to information overload

Inability to find what appears to be impartial advice beyond friends

No single source that offers a visual overview of the market that demystifies it



**CAN FEEL OVERWHELMED, UNABLE TO REALLY MAKE PROGRESS:**

- Can take a long time (many months) to canvas enough opinions to feel they have the full picture
- As such, process risks losing momentum, leads to analysis paralysis

# ORIENTATE: PEOPLE ARE KEY FOR THOSE WHO ARE LESS CERTAIN ABOUT THE SECTOR

## People offer trusted guidance and lived experience

People hope to get the experiences of those that have already been through the journey and may have advice, tips to offer them, insight on what might be the correct approach to take

It's a way to learn from the mistakes and success stories of others, to ask all the little questions and build a better sense of the investment space

### Defer effort and thinking

Some people may consult Financial Advisers as part of their wider financial management

Likely to accept their advice expertise: a recommendation here may lead to a quick journey to signing up for a new product

### A considered view

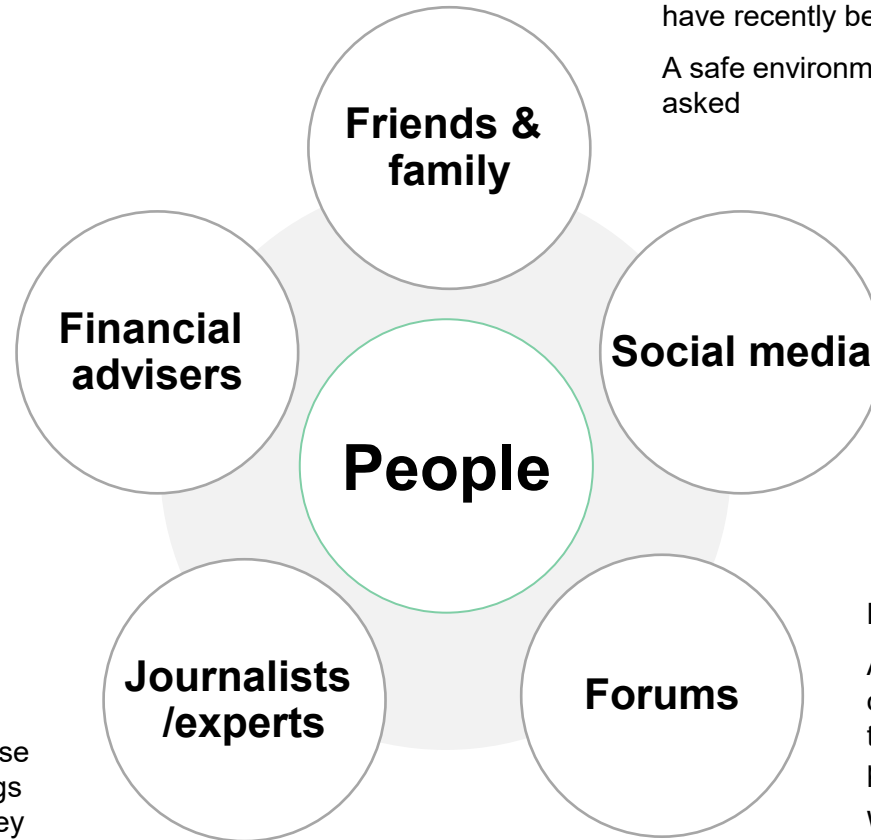
Articles, probably accessed via a google search, are often read

May cover broad tips on how to choose an ethical investment or raise red flags on providers that may not be what they seem

### Most trusted source

People often reach out to those who they think have a good working knowledge of the sector, or they know have recently been through it

A safe environment where all the 'silly' questions can be asked



### For the inside track

A way to access the experiences of others who have probably done more of the investigative heavy lifting on providers and products

What people say on e.g. sub-reddits can be very revealing, raise red flags



TRIGGER



ORIENTATE



DEEPEN KNOWLEDGE



BUY



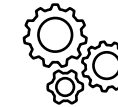
POST PURCHASE

## DEEPEN KNOWLEDGE: ENABLE DECISION MAKING



**AIM: Get to a position where there is enough confidence to make a call**

About filtering down the options, stress testing aspects of providers' service and digging into the detail of specific product offerings



**APPROACH: immerse in websites**

### BEHAVIOURS

Go to provider websites, check products and use calculator tools

Check provider ethics, principles, mission statements

Call providers and get the sales pitch from them, assess quality of customer service

Potentially check product details i.e. list of companies invested in

Look for red flags on providers by checking if google searches return bad stories, check e.g. Reddit forums

### OUTCOME

**Establish key info on preferred options to make a decision**



### PAIN POINTS

Takes time and effort to check multiple provider sites, people aren't aware of a comparison site e.g. Mindful Money

Hard to tell if providers are giving them the whole picture

Can't tell if this is a one-time effort to get their business, one good employee or indicative of wider company approach

Difficult to navigate through language and seeming impenetrability of some provider sites

Difficult for people to find something they don't necessarily know exists, don't know what to search for



**DELAY, PROCRASTINATE AS CAN FEEL LIKE TOO MUCH OF A TEDIOUS TASK TO COMPLETE**

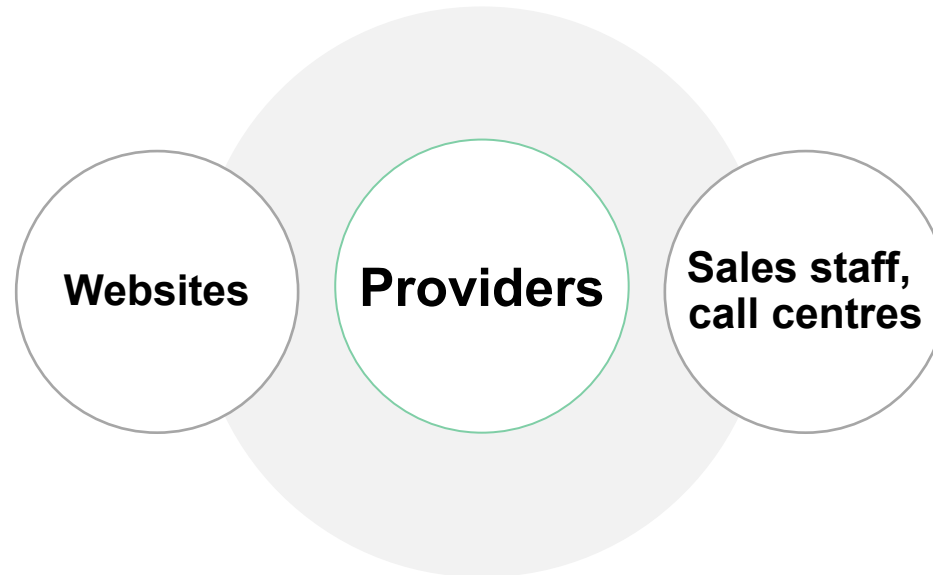
- Feels like life admin, a significant job that will take time to complete thoroughly and may just be easier to put off

# DEEPEN KNOWLEDGE: PROVIDER TOUCHPOINTS, ESPECIALLY WEBSITES ARE A CRUCIAL PART OF EVERYONE'S JOURNEY

## Providers need to convince different people in different ways

For most, there's a need to get a feel for the company as a whole, what are they going to be like to deal with, are their ethics credible

It's also a chance to check detail on past product performance and further detail for those that want it



### Assess the provider as a whole

Main focus is on getting a feel for the provider, how they communicate their products and what the probable customer experience will be like

### A chance to ask about the detail

Some still prefer to hear about products and the company first-hand, want to be sold

Gives the opportunity to really unpick a company's ethical credibility and assess level of customer service they will likely get

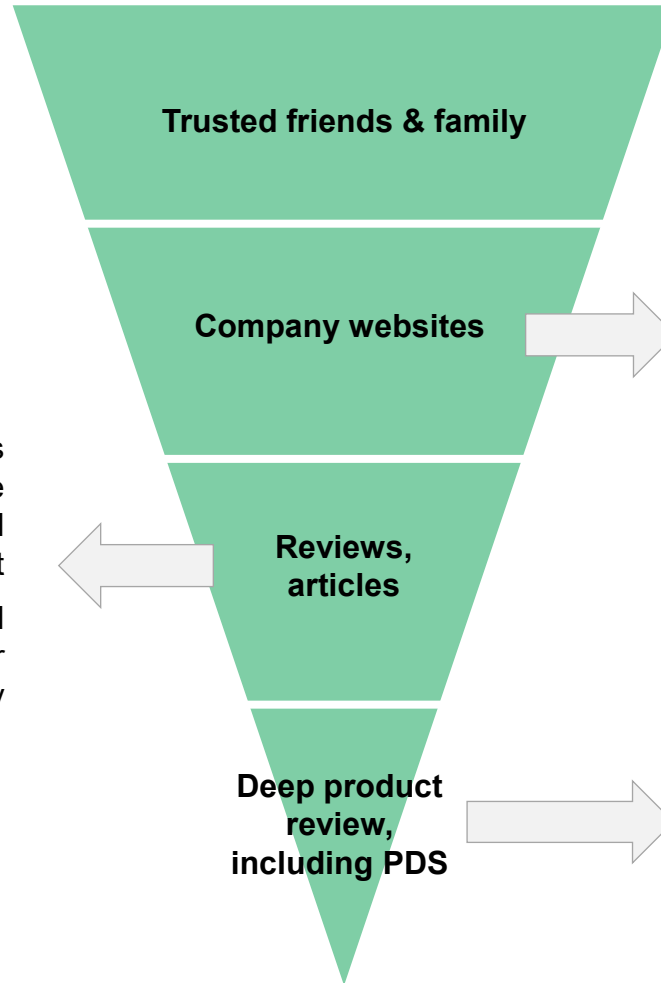
# DEEPEN KNOWLEDGE: PURCHASERS TEND TO COMMIT TO A PRODUCT DECISION BEFORE THEY GET TOO FAR INTO THE DETAIL

## Journey likely begins with a conversation

Even if informal and not in any great depth, friends and family can provide a general (or very directed) initial steer on providers, companies or even broad factors to consider when finding a fund

**Buy here because** they're satisfied there are no red flags shown up through reviews and are keen not to become paralysed by over-analysis: equally, don't necessarily feel confident on the small print, so avoid that

**Focused on marketing materials**, but want a second opinion from others that have done due diligence on their ethical credibility



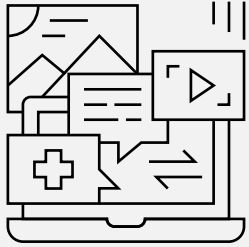
**Buy here because** they're satisfied the provider has covered their ethical credentials in enough depth on their **website home page**, possibly the 'about us' page also

**Highly focused on marketing materials**, 'about us' pages and key phrases such as 'we will never invest in...', and mission statements

**Buy here because** they're satisfied they have completed a thorough examination of a company's and product's ethical credibility

**Focused on 360 take**, including checking company lists for potential stand-out offenders, review sites and articles for red flags. Also likely to have called staff at the company to ask specific questions. May or may not have read PDS

# DEEPEN KNOWLEDGE: MARKETING MATERIALS DRIVE INITIAL CONSIDERATION

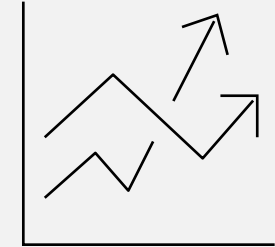


*Support charity*  
**Non-profit**  
*Ethically invested*  
*Award-winning*  
**Ethical KiwiSaver**

Example phrases

**Our ambition...**

**Our Purpose...**



## Web searches can overwhelm

Search returns throw up lots of unfamiliar provider names, people often don't know how to start prioritising them

## Key words draw people in

Key phrases that talk directly to being ethical, responsible, charity, non-profit all set certain funds / providers apart enough to merit deeper investigation

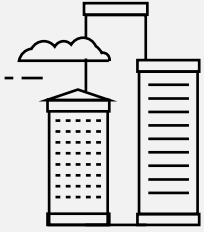
## Principles are checked

To check credibility, people tend to look at 'about us' pages for founder stories, broader principles, anything that defines broader approach, which can be enough to convince many

## Performance looked at

It's likely people will also check past performance, to feel confident the investment will deliver growth; however, PDSs are rarely checked

# DEEPEN KNOWLEDGE: PEOPLE HAVE DIFFERING EXPECTATIONS OF PROVIDERS

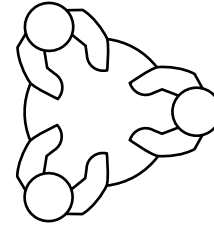


## Corporates:

- Reliable and likely to be stable over time, lower risk
- Easier to monitor fund performance through apps

## But can be seen as...

- Part of the ethical problem, shown by the press to not be too interested in ethical funds
- Many people presume ethical options aren't available with them at all
- Harder to find information about how funds are invested, in which companies



## Smaller, newer providers:

- Simpler to understand and easier to deal with
- Completely focused on ethical investments, live and breathe it, so more likely to be credible

## But can be seen as...

- A more risky option, not always clear who they are backed by and what this means over the long term (especially for those who are more cautious)

# DEEPEN KNOWLEDGE: SMALLER PLAYERS LEAD WITH A TOTAL WEBSITE APPEARANCE THAT'S EASY FOR PEOPLE TO UNDERSTAND AS 'ETHICAL'



**Judging ethical credibility is more than legal proof points:** founder stories that seem human, elevated mission statements and principles, and 'about us' stories are all just as important as product detail and PDSs

**People often rely on feel:** especially for younger investors who have less concern over risk, the general look and feel of the website layout: simple punchy language and graphics, plain talking, imply a challenger/alternative approach which is enough to persuade on credibility

**A view that, if the company has a demonstrable moral compass, then presumably all its products are doing good (not bad) as well**

*“The deciding factor may have been how easy the website was to navigate, the information made me feel safe and comfortable”  
Male, SINK, ESG product holder, Whakatane*

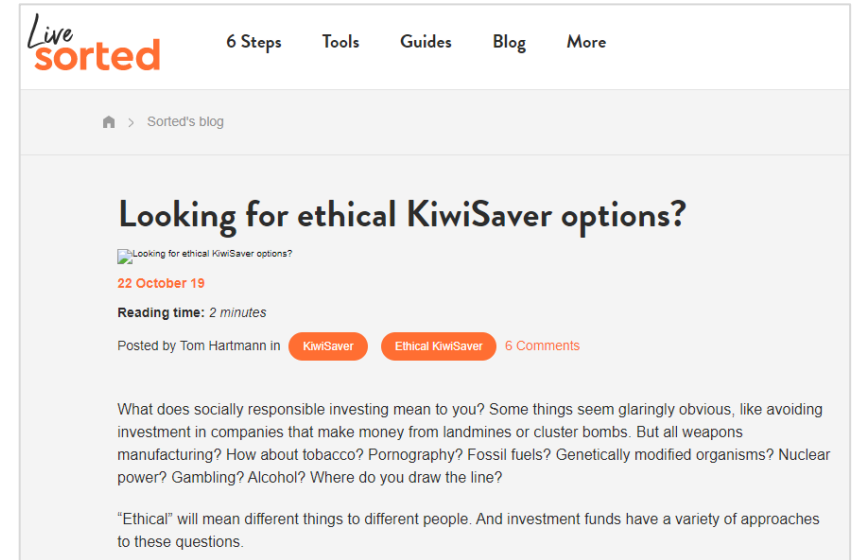


# DEEPEN KNOWLEDGE: SITES THAT ACT AS A GO-TO SOURCE OF INDEPENDENT INFORMATION ARE DESIRED BUT NOT USED MUCH CURRENTLY



1. What do you want to avoid investing in?  
Rank the issues below depending on how much they concern you. It's OK to put all the sliders at "avoid" if that is your preference.

Fossil Fuels	Weapons
Tobacco	Gambling
Adult Entertainment/Pornography	Alcohol
Palm Oil	Genetically Modified Organisms (GMOs)
Human Rights & Environmental Violations	Animal Testing



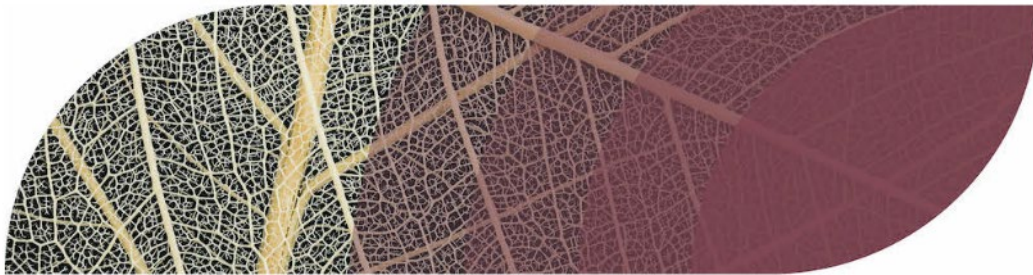
**People want a trusted source of unbiased information that can give an overview of the market**

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

A strong need exists for a high-level, approachable and simple forum that demystifies the category in the simplest of terms

# DEEPEN KNOWLEDGE: PEOPLE WANT MORE HELP & RESOURCES, ESPECIALLY CONSIDERERS

RESPONSIBLE INVESTMENT CERTIFICATION PROGRAM



CERTIFIED BY RIAA



**Regulation and certification badges are not always viewed as credible**

**At best, a sign that a safety net exists:** with a tick or signal of being government approved/regulated, people can have some degree of confidence that a provider isn't a scam but...

**At worst:** star rating systems etc. can be viewed as purchased accreditation and not actually real (perception built from food industry, health star ratings)

**Any system would need to establish its independence and credibility**

*"What's missing are testimonials from people I can relate to, language I can understand" "I'd be looking for evidence of them being an ethical company, to confirm their claims are true"*

*Female, young family, Considerer*



## BUY: MAKE DECISION TO INVEST

**AIM: Commit to a product and provider**  
 About signing up and getting the job completed

**APPROACH: form fill**



PAIN POINTS

Relatively few issues at this point, unlikely to check any further documentation e.g. PDS



**SOMEWHAT A LEAP OF FAITH (FOR SOME), HAVE TO TRUST THE PROCESS WOULD HAVE EXPOSED ANY ISSUES**

***'You don't know what they've not told you'***

Even the most seemingly transparent and scrupulous provider isn't necessarily a guarantee of a completely ethical fund for people

People see it as inevitable that if they checked every company listed on the fund list, there may well be a connection back to disreputable practices

**At some point, people have to make a decision to trust it or otherwise**



TRIGGER



ORIENTATE



DEEPEN KNOWLEDGE



BUY



POST PURCHASE

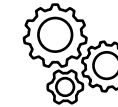
## POST PURCHASE: ONGOING INVOLVEMENT & SATISFACTION



### AIM: set and forget

Little happens at this stage beyond occasionally checking performance

Most people are happy to let the product operate in the background as a long-term investment, believing they have completed their work on finding an ethical product and have done their bit more broadly

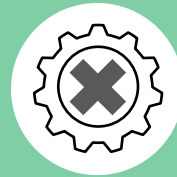


### APPROACH: disengage

### BEHAVIOURS

Check performance occasionally online or through apps

Receive emails from providers (in some cases), likely to either ignore or scan headlines quickly



### OUTCOME

Satisfaction that job is done



### PAIN POINTS

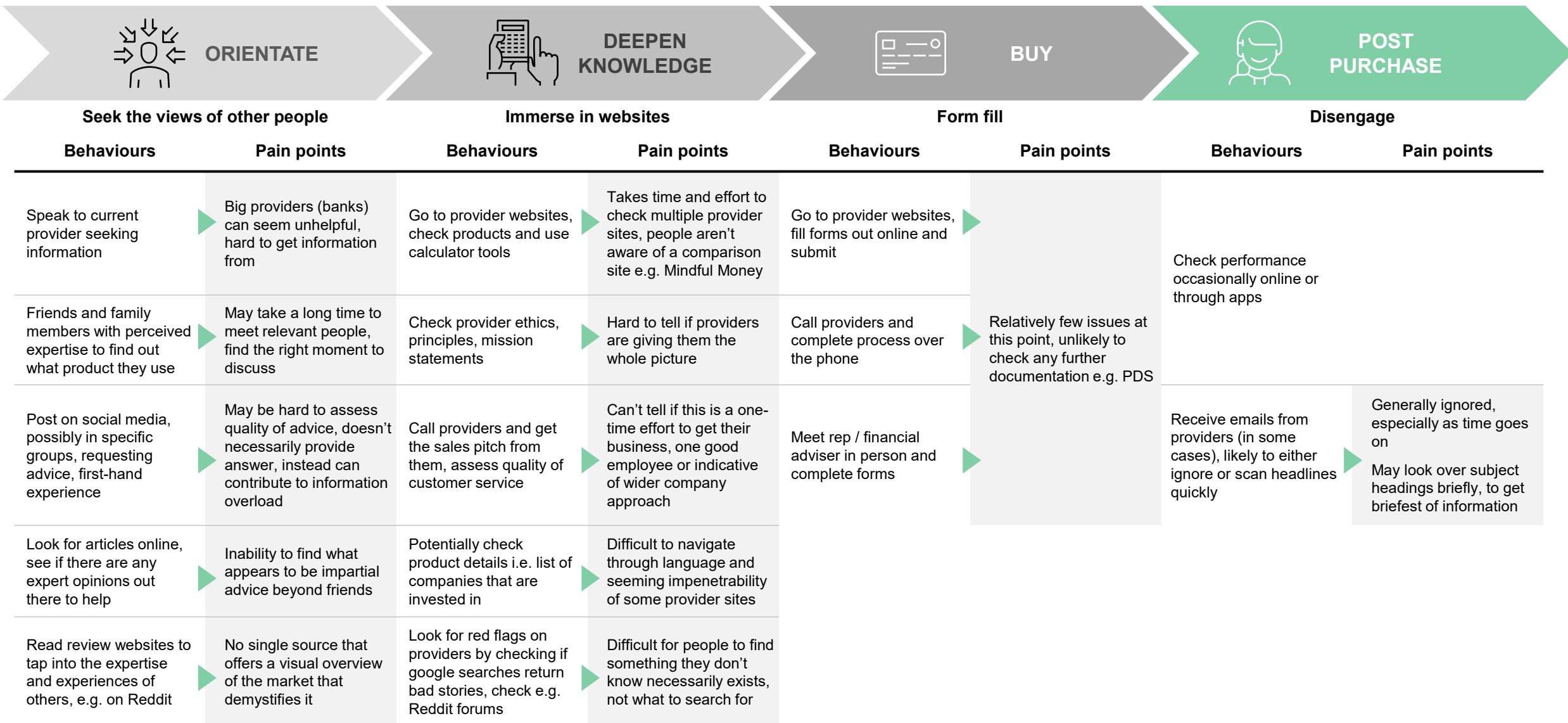
Generally ignored, especially as time goes on

May look over subject headings briefly, to get briefest of information

### What people don't tend to do:

- Keep updated on ongoing ethical performance of product
- Consider switching product again (note: our survey consulted recent buyers)

# JOURNEY OVERVIEW & PAIN POINTS





SECTION 5

# CASE STUDIES

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# CASE STUDY 1: CONSIDERER

Manaia is 46 and has three kids all still living at home. Three months ago she decided to make a change to her KiwiSaver provider

Manaia moved out of Auckland to achieve the goal of owning a home. She has an investment scheme for retirement set up with Ngāi Tahu, Whai Rawa. She also has a KiwiSaver account that she signed up to twelve years ago as part of a package offered by the school she worked at.



## TRIGGER

Manaia was contacted by her bank to say they were shifting her KiwiSaver to a more risky investment plan. She didn't even know which bank her plan was with, let alone have much of a sense of what kind of plan she had. It prompted her to look into it further. She didn't like the sound of the increase in risk, preferring something more conservative.

“ I noticed the bank said that they're going to change my investment into a slightly riskier system so I decided I wanted to pick someone for myself. I've never banked with them so have no link with them at all and I think they're Australian-owned so I thought why the hell am I with them.

I want it to be safe, I don't want to lose my investment. I was warned by people who did it in the 80s and people who'd lost lots of money. I'm not into risk ”

She set off on her journey with a few ideas in her mind, that it should be Kiwi-owned, easily accessible if she needed it, and used for some good.

“ [for me] It's about looking after your own people in your country, fellow man, and feel it's probably safer, less likely to invest in harmful stuff like weapons. All that makes me feel sick. Not that all NZ places are safe. ”



## ORIENTATE

She started looking at what options she had around three months ago. She started with a Google search and just typed in KiwiSaver to see what came up. Very quickly, she felt overwhelmed by what she was reading, unable to really get to grips with what the searches returned.

“ I didn't get very far, I didn't understand it. I probably spent about 45 minutes or an hour of Googling. I looked at a few forums and provider websites. There were so many places I've never heard of. ”

She became frustrated at the provider websites and in particular the language they used to talk about the products, which she found difficult to follow. Also, she could not find anything that seemed to match her values.

“ It was all about the rates and what you might get out of it, it was language that means nothing to me, so bad I can't even remember it. I'm not super intelligent but I'm not a dumb arse. It pissed me off a bit which is why I thought I've got to get out of this, I felt they weren't talking to me, the average person but it was for people who are into the financial bullcrap. I didn't see anything that spoke to ethical and responsible, it was all about financial gains. ”

# CASE STUDY 1: CONSIDERER

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## STALLING, NEXT STEPS

Manaia was so put off, her search has stalled. She has not got to a position where she feels she has been able to compare providers and doesn't know where to look to find providers that satisfy her values and expectations for such an investment.

She plans to continue her search and will seek advice from people she knows. She thinks she'll reach out to people on Facebook groups she's a member of. She hopes this will help her make some sense out of the market and point her in the right direction.

“ *My next step might be to go on Facebook, hear from real people... [I will] probably approach groups that I feel are my people and see what their experiences are. I'm in groups that do talk about that stuff. It gives me more of a sense of the truth, people's experiences, its more relevant and more, they don't have any ulterior motives*

*I just need a focus as I know it's all too much, I need someone to help me.* ”



## CASE STUDY 2: CONSIDERER

David is 51 and lives near Christchurch. A need to think about his children's financial future made him reconsider his own product choices

David lives with his wife and two boys and works for a non-profit social services provider. He is relatively engaged with his finances though his interest in serving the community is not something that he or his family have thought about in the context of their investments until more recently.



### TRIGGER

About a year ago David noticed that the funds he had chosen for his sons were eroding. It prompted him to check his KiwiSaver and he saw the same, so he started to investigate other options. At the same time, he came across a discussion feed on one of the many blogs and podcasts he tunes into, about socially aware investing, which opened his eyes.

“ *Something came through a feed about a new socially aware investor. It was about trees, that speaks to me as a person, and interest rates aren't great so [I thought] why not change. I hadn't realised this kind of investment was an option*

*I've been doing a lot of leadership training and we've been looking at sustainable change. This dovetailed into where I am and who I am and [I thought] why don't I make changes across my whole life, make change that reflects who we are as individuals more.* ”



### ORIENTATE

Like many things in his life, David set about the task in a methodical way. First, he searched Google, looking for articles that could help orientate him on the marketplace and what he should look out for. He found several articles and followed links, including checking out the US market, as he felt they were often leaders on these things. Even so, it wasn't easy, and took him a lot of time.

“ *I found it really hard, I didn't find what I wanted. I found more from a couple of articles, it might have been on Stuff, or it came through on a news feed, I might have followed some links. I did look at some articles from the States, they're often further down the track. Anything to do with business I look at MIT, they seem to be well ahead and I like their creative thinking approach.* ”

## CASE STUDY 2: CONSIDERER

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### DEEPEN KNOWLEDGE

Once he felt he had the basics in place, he started looking at specific providers. He looked at one or two per sitting, with each sitting happening whenever he could fit it in around work. As a result, the search spread out over several months.

“ I'm looking at a couple at a moment but not finding something that really feels right

Transparency is a big deal for me, tell me if it's not going well rather than trying to baffle me with bullshit. I feel there's a lot of smudging in the financial sector. Some [providers] I don't know so well, they may fit me but I worry about losing my entire savings. My greatest hesitancy is really around risk. I like idea of government guarantee, banks tend to have more of this.



### STALLING, NEXT STEPS

All this has meant David hasn't felt yet that he's in the position to decide on which provider and product to go with. Lockdowns and his work have certainly been factors but part of it is just feeling like he hasn't seen everything he wants all in one place to trust anyone with his money yet.



They [providers] spend a lot of time on main pages, they look great but you need to look at the depth

I don't really go into the fine print, more about where they're investing offshore versus onshore... For example, I got an update from Google and it was 40 pages. No one reads this. It's gratuitous, people are put off by it. They try and cover from every legal angle. It's just horrendous. We did a financial contract with a government agency and it's so unnecessary, it doesn't foster a good relationship, puts you immediately at distrust. Financial companies are right up there with government agencies, and we're looking for a difference.

If I saw a pithy intro I liked, saying we're not like other organisations. You [provider] care about me... you're not like the rest... we look after your money like it's our own... do our best to get you best return and we're giving back: that's genuine



Despite this, David is determined to find something. He sees it as a job he needs to commit to and that will take time, but he will get there.



I have looked at more than ten, but I don't feel like I've done the whole process. I like to get it right, even with power companies. I will set up a spread sheet with pros and cons, what's missing.



## CASE STUDY 3: ESG PRODUCT HOLDER

Jack is 28 and lives in Whakatane, but plans to move back to Wellington to continue his studies. A conversation with his uncle prompted him to start thinking about his finances more seriously

Jack isn't long out of university, where he built up some debt. Up until recently he's been focused on his job and just earning more. He did join KiwiSaver through his main bank when he got a job, but he hadn't spent much time thinking about long-term financial goals.



### TRIGGER

Jack has a good relationship with his uncle, who gives him advice on lots of things in life but especially with money. He raised the idea of ethical investments with Jack and suggested it might be something he should look into. Jack was already a little concerned about what he'd heard in the news, so this prompted him to start looking into his situation.

“ He [Jack's uncle] gives good advice in general, especially with money. I haven't done much with it [Kiwisaver] at all, he started a conversation about it. My uncle mentioned he'd switched... I'd heard lots in the news about where banks are investing and it bothered me on some level but I didn't take action.



### ORIENTATE

Jack looked at the provider his uncle had signed up to and felt like that would probably be the one he would go with too, but he wanted to just check before he went ahead with it. He found Mindful Money from a Google search to compare his current product and provider with the one his uncle suggested. He wasn't looking for specific issues, just a provider that was all-around better.

“ I did do a quick Google. There were so many other options so I was reluctant to check them all out. I couldn't go through that.

I went to Mindful Money and compared the two [current and suggested products] and it [new product] looked much better

Mindful Money gives you several ways to look at it and one option was top concerns of New Zealanders, so I had a means of directly comparing them. [My current bank] was investing in nearly all and [the recommended] was either not investing or intending to move away.

CONTINUES OVER

# CONTINUED - CASE STUDY 3: ESG PRODUCT HOLDER



DEEPEN  
KNOWLEDGE

Confident he knew he wanted to take it further, he looked more closely at the suggested provider, paying a lot of attention to the website including the values they put forward as well as what the company said about itself, then compared this to his current provider to assess the difference.

“ I found [current provider] difficult to investigate, I couldn't get transparency of what they invested in

[The new provider] was far more transparent at a glance. I remember reading their story of how they came to be and I enjoyed it, learning about the other things the CEO had been involved in.

”



BUY

The website of the new provider seemed straightforward and answered all the questions he had, which mainly focused on it being a company that put ethics front and centre. He didn't dive deeply into any small print, but instead trusted his gut to tell him this was a company that had his interests at heart.

“ What appealed was it was New Zealand owned, had emails direct from the founder. It makes you feel good. Fewer layers of separation between yourself and product you have.

I didn't read any of the small print, none of the nitty gritty.

I remember it appearing genuine. It seemed quite wordy and there was lots of peripheral information, autobiographical information on the CEO and links to stuff, but it didn't appear dense or require a high level of understanding.

”



POST PURCHASE

Jack is happy with his investment. He checks in on its performance more frequently than he did with his old provider because of the accessibility of the data. Not only does he feel better about investing more ethically but he also feels more engaged with his finances more broadly.

“ Having that transparency feels like something I can pay attention to more often, feels more real time as opposed to a number that seems static.

It's changing how I feel about money but in a slow way. I've had a casual relationship with money for most of my life, never thought about getting more money except getting a better paid job. Investment has been this black box, haven't learned enough about it, there's an ignorance barrier

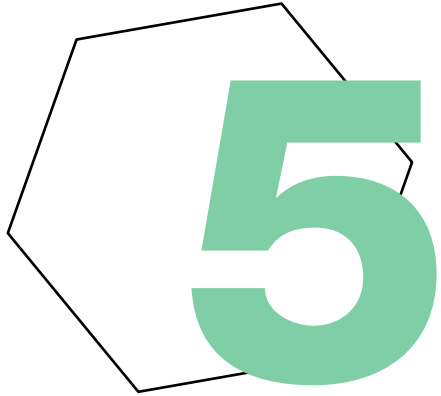
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SECTION 5

# LAST FIVE MINUTES

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# Key challenges for ethical investment

## ONE

### People don't feel equipped to search

People don't know what they don't know, and don't know what to ask to find out

People feel like amateurs in a professional industry, that their level of knowledge and financial literacy is too limited to be able to approach a search in a meaningful way

## TWO

### Limited awareness of help services

People feel like they're on their own, that there is no resource they can go to that's on their side and that simplifies their search

Appears to be a system designed to trip them up, especially when most people that want ethical investments are not warriors for a cause but rather just want their money to do good

## THREE

### Big providers don't offer much info / support

Websites of big banks seem to offer very limited information on ethical products with call centres not much better

People say staff can't always answer specific questions, don't always seem to have people's best (ethical) interests at heart, though may not be unhelpful as such

## FOUR

### Sector language appears jargon-heavy

For those more determined to get their heads around the sector, there is a steep learning curve that requires time and energy to pursue

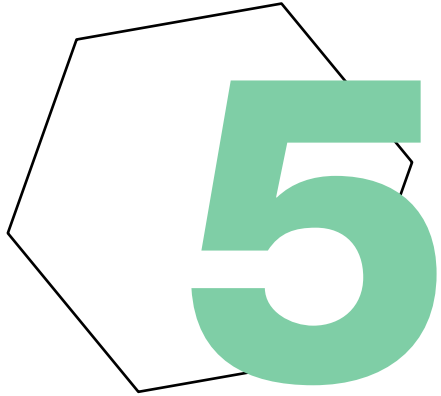
For many, this becomes too much of an administrative headache meaning they either shortcut to quick solutions or simply put the task to one side

## FIVE

### Requires a leap of faith

People often begin from a position of suspicion toward the sector as a whole, even for smaller, and seemingly more alternative players

In the end, people somewhat resign themselves to having to place trust in providers, accepting that they can never fully know where their money is going



# Considerations for providers to improve the investor journey

## ONE

**Make it easy to retrieve ethical investing product information on websites**

Signpost ethical products clearly to enable customers to navigate to them quickly and explore their detail

## TWO

**Use the right language in product naming and explanations**

Use descriptors people can immediately understand

Presume that most people have a limited working knowledge of both financial and ethical terms, do not require them to upskill to understand

## THREE

**Be clear and simple up front but offer detail for those that want it**

Presume people need to orientate themselves in the category

Lead with straightforward information up front e.g. website landing pages

Offer numerous links to relevant detail to explain each area, allow deeper research

## FOUR

**Understand people's reasons for considering ethical products**

People may be approaching incumbent providers with a sense of guilt or discomfort

Staff / language / tone should be empathetic to customers for whom investing in an ethical product is deeply important

## FIVE

**Explain accreditation where it's used**

Be clear on who the accredited source is, provide links to their website to allow customers to vet and understand their credibility



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