26 April 2018

Il Messaggero

The way to a more sustainable portfolio

►Investors are paying more attention to socially responsible finance criteria. The wealthiest are the most receptive.

►Companies that respect the environment and those the greatest awareness of social and governance issues perform best.

Sustainable finance and Environmental, Social and Governance (ESG) criteria for companies: this is clearly a marketing choice, one that works. Equally, ESG standards offer good guidance for making good choices by focusing on companies that have a longer average life than others and a better value and market outlook.

Some 26% of the investments managed globally include ESG considerations, strategies and criteria. These are the findings of the bi-annual report *Global Sustainable Investment Review* published by the Global Sustainable Investment Alliance (GSIA): 23,000 billion dollars is the global amount of wealth managed according to sustainability criteria, up 25% from last year.

While this is the international scenario, in Italy there is a growing interest in sustainable finance as an investment opportunity, as well as an "ethical" choice. At the last edition of the Sustainable Finance Forum, a survey was presented entitled "The responsible investor", commissioned from Doxa by the Forum itself. 40% of those interviewed considered environmental, social and governance issues to be very important in the financial sector, a figure that is sharply up on the 23% recorded in 2013. Moreover, 92% of the interviewees believe it is important to provided incentives for responsible investment and 44% would like information on the sustainability of their own investments.

ETHICS ARE BACK IN FASHION BUT IT'S NOT JUST ABOUT MARKETING. THE BEST INVESTMENTS REFLECT ESG CRITERIA

Affluent clients are the ones that are keenest on the subject. According to a recent poll run by Etica Sgr with GFK, 64% of those with knowledge of ethical investment have capital in excess of 100,000 euros, rising to 69% for those exceeding that investment threshold. In addition, 24% of investors interested in ethical investments have less than 100,000 euros of capital, rising to 32% of those with more than that amount. This type of concern seems to increase with the amount of funds available for investment.

CONTROLLING RISK

Apart from the firms specifically focusing on such investments, like Etica Sgr, all financial operators are now preparing to enter this field. Banca Generali opened the new Sicav Lux Im a few weeks ago to develop investment products that meet ESG criteria. In a few days' time (on 3 May), Banor Sim is holding a conference in Rome on the subject "Incorporating ESG criteria in value investing strategies". The guest of honour will be Professor George Serafeim from the Harvard Business School.

Sustainable finance is also gaining ground as a result of the positive repercussions on risk control and potential returns. At the last "Savings Fair", Paolo Capelli, head of risk management at Etica Sgr, chaired a seminar, one of the most heavily attended, to present this dual aspect of socially responsible investment (SRI). He remarked that "analysing the results, it is clear that the most financially risky portfolios are also the most 'disorderly' in terms of ESG rating". The aim is to illustrate the better risk control that comes with "sustainable" investments.

ESG EFFICIENCY

To conclude, Capelli noted that "in Etica's experience, ESG risk (depending on the metrics used) contributes between 5% and 10% of the total risk calculated based on the time series of the stocks. Therefore, it's no longer possible to ignore the ESG component of a portfolio if you want to look at its riskiness in a truly efficient and comprehensive manner".

Marco Barbieri

23

Thousand billion dollars is the capital managed globally with sustainability criteria

40

% is the share of the population that believes environmental, social and governance criteria are very important

64

% is the share of investors that know about ethical investments