03 May 2018

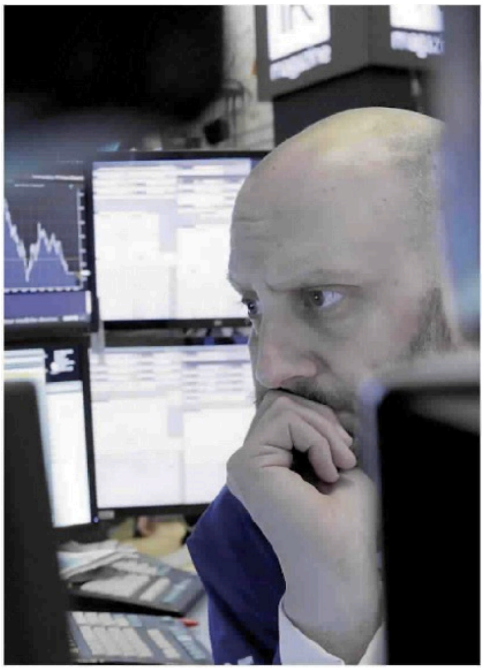
**Avvenire**

# Sustainable finance makes good investment sense

## Study by Politecnico di Milano: higher returns for ethical investments

ANDREA DI TURI

Sustainable and responsible investment (SRI), or investment evaluated and selected according to environmental, social and governance (ESG) criteria, to use the current buzzwords, is no longer just the right and good thing to do. It also makes good investment sense. The point is reiterated in a substantial study that Banor SIM is presenting this morning in Rome to an audience of professional and high net-worth individuals (HNWIs) with plenty of resources to invest. Banor SIM is one of Italy's leading private investment management firms. It is strongly committed to sustainability, and indeed has developed a proprietary model to evaluate the social and environmental sustainability of the companies it plans to invest in.



The research was conducted by the School of Management of Politecnico di Milano and has the great merit of having adopted the same methodology as that used by Harvard Business School for a similar study on the US market. The results, which Avvenire can preview, will be discussed at today's event (entitled "How to preserve capital – sustainably and over time. Integrating ESG criteria in value investing strategies"). The discussion panel includes George Serafeim, from Harvard Business School; Giancarlo Giudici, from Politecnico di Milano; Livio Gualerzi, Head of Financial Resource and Special Project Management at the Italian Episcopal Conference; and the CEO of Banor Sim, Massimiliano Cagliero.

The study analysed the performance of companies listed on the Stoxx Europe 600 index over a period of six years, from 2012 to 2017. The key take-away is that the companies with the best ESG practices are rewarded by the market. To put it another way, these companies have shown that they also deliver the best economic performance, for example in terms of growth in revenues and operating margins. And so they've become the preferred choice of investors, who are increasingly using sustainability criteria to guide their investment decisions (it's estimated that about $23,000 billion in assets worldwide are managed using ESG criteria). The analysis also revealed that investment strategies using ESG criteria along with classic economic-financial considerations are the best for building efficient portfolios from a risk versus returns perspective.

Another important point is that the basket of stocks considered in the study does not include those from sectors viewed as controversial, such as armaments production.  This factor is by no means marginal, given that according to figures just published by the Stockholm International Peace Research Institute (SIPRI), the world's military spending rose again in 2017. With the USA well out in front, and Italy in 12th place.