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## **Borsa Italiana**

# **Sustainability is the focus for Italian investors**

Forum per la Finanza Sostenibile

## **For a large majority of investors companies with good ESG practices are more profitable in the long term**

Sustainability occupies an increasingly important position in Italians' savings and investment planning – a trend that's confirmed by a number of studies and market surveys. For example, a survey conducted by AXA Investment Managers in their monitoring of developments in attitudes to investment in Italy found that concern for environmental, social and governance (ESG) issues is a highly significant factor in a growing number of investors' investment decisions. This applies in terms not just of their interest in the topic, but also of returns.

Over 70% of the sample believe that companies that adopt sustainability policies are able to gain a competitive advantage over the long term, with resulting advantages for investors.

This view of companies is confirmed in the results of numerous market surveys and in academic research. One of the most recent studies, conducted by Banor SIM and the School of Management of Politecnico di Milano on 600 European stocks between 2012 and 2017, shows that companies with higher ESG ratings in all three categories are also more efficient in growing their earnings and profits. The stocks of the most "virtuous" companies in sustainability terms are therefore more profitable for investors.

Market survey data are reflected in the results of an academic study by Rob Bauer, Tobias Ruofy and Paul Smeets, who teach at the University of Maastricht. They analysed the investment preferences of over 3000 members of a Dutch pension fund with €18.7 billion in assets under management. The experiment consisted of giving members the chance to vote on the fund's future investment strategy. And nearly 70% expressed a desire to invest their savings more sustainably.

Another interesting finding from the AXA study is that young people aged 22 to 33 are more aware of ESG issues. 76% of this age group are interested in learning about companies' commitment in areas such as reducing climate-changing gas emissions or the sustainable management of water resources. The over-55 age group focuses more on the impact of their investment decisions on employment, and is knowledgeable and concerned about the country's socially and economically difficult areas. In

addition, the survey mapped the sustainability issues that attract investors' attention. They are particularly interested in green technologies and responsible consumption (59% and 46% respectively of interviewees), followed by artificial intelligence (31%) and climate change (29%).

Women were among the groups most aware of ESG issues. According to a survey of retail investors conducted in 2018 by Doxa and the Forum per la Finanza Sostenibile, 77% of female interviewees consider ESG issues to be important in the finance sphere (compared with an aggregate male/female figure of just 70%). Women's investment decisions are more strongly influenced than men's by social factors linked to gender questions. For example, the presence of work-life balance programmes and personnel policies designed to ensure equal opportunities in business are viewed as significant by 76% of the women interviewed, compared with 63% and 60% respectively of men.

These trends suggest that for Italians it is becoming increasingly important to achieve concrete social-environmental results through their investments. As a result, for financial operators too it is becoming increasingly important to establish precise impact targets, in line with the United Nations Sustainable Development Goals for 2013, which since 2015 have driven the agenda of global sustainability priorities.

This type of approach is incorporated in impact investing, a strategy that includes investments in businesses, organisations and funds created with the declared intention of generating positive and measurable social-environmental impacts and, at the same time, a financial return for investors. Although it still accounts for only a small proportion of the overall panorama of sustainable finance, in recent years this strategy has seen substantial growth both in Italy and in Europe. According to the results of the European SRI Study 2018 (the research on sustainable and responsible investment conducted by Eurosif), the amount of assets managed following this approach rose from €20 to €108 billion between 2013 and 2017, a trend that is reflected in the Italian market.