



Banor SIM: Active ESG Selection

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Banor SIM's investment management strategy is founded on **Value Investing**, an approach, first defined over one hundred years ago, based on the accurate analysis of dividends and cash flow generated by a company.

For over ten years now, **Banor SIM** has used an active evaluation on the basis of ESG criteria. "We were amongst the first in Italy to rediscover this approach", explains **Luca Riboldi**, company CIO. "Today, there is still no common denominator incorporating these criteria for evaluations. For this reason, over time, we have developed our own **integrated internal method for identifying the most responsible companies**".

The **Banor SIM** selection process is based on an initial evaluation of the **dividend discount model**, i.e. the discounting of a company's cash flow or future dividends, pricing in the risk-free yield—the ten-year rate for the relative geographic area, adding the stock-market risk premium. The result of ESG evaluation is then added or subtracted from the figure obtained. "We do not apply exclusion criteria, but take an active ESG selection approach", explains the CIO. "**We assign a different weighting to each aspect—E, S, and G—according to the relative sector**. In the case of a bank, we give greater weight to the variable G, whilst if we are analysing an oil company, E is more important".

The ESG concept falls within the scope of risk assessment: "Investing in a company that does not consider these three variables carries higher implicit risk". For this reason, **Banor SIM** has also decided to make corporate social responsibility commitments.

CSR at Banor SIM

“First of all, we have very strict governance. Although we are not a large company, our CEO does not synchronise with our shareholders, thus avoiding any type of conflict of interest”, explains Riboldi. “Over the years, **we have made various services available to our employees, such as gym memberships, healthcare, nurseries, etc., as part of our company welfare programme**”.

Banor SIM not only makes commitments to its employees, but also to its customers: “Since 2009, we have implemented **GIPS** (Global Investment Performance Standards) to increase company transparency. Every year, an independent auditing company certifies the results of our funds, which have beaten the benchmark eight out of the last ten years, outperforming them with a gross average of 3%”, concluded the CIO.