

Dossier

Following the analysis of the behaviour of shares of companies that respect environmental sustainability, social and governance criteria, it's now time for bonds

Yields are higher if the company is classified as ESG

We have now reached a point where we cannot help but look at ESG criteria to guide our choice of financial investments. Last year, a research project conducted by the Politecnico di Milano and Banor Sim demonstrated that the best performance of shares comes from companies that respect environmental sustainability, social and governance criteria, precisely ESG. The same team -Politecnico di Milano and Banor - have therefore developed a new study, this time analysing the bond market.

THE WEIGHT OF GOVERNANCE

This research has demonstrated that even the European bond market, especially in recent years, considers the ESG rating of an issuer as a factor that impacts the expected yield. A comparison of a panel of listed bonds, among the more liquid ones, showed that bonds linked with better ESG practices performed better (than others), above all high yield bonds. Indeed, the determining parameter is without doubt linked to good governance, while environmental and

social factors seem to push in the opposite direction. And this is understandable. The performance of a bond is measured in the short term, upon coupon detachment. "A bond holder's only fear is default", explains Professor Giancarlo Giudici of the Politecnico di Milano School of Management, "It is therefore evident that a bond holder's attention is focused essentially on good management of the company". Environmental and social factors seem to be perceived as less relevant for investors who are interested in reducing the risk of insolvency in the short term rather than long-term sustainability and competitive advantage.

"In 2018, we focused our analysis on the stock market, and that brought out the value for the investor of the integration of the ESG variables. This year, we wanted to explore the other sector of the market, the bond market, where our customers have traditionally always been very active. Therefore, we felt it was our obligation to analyse the matter in depth": This is how Massimo

Cagliero, managing director and founder of Banor Sim, summarized the results of the analysis conducted according to the methods used by Harvard Business School Professor George Serafeim.

THE BEST PERFORMANCES

Evidence shows better performance of securities that are associated with good ESG practices, above all in recent times, and in particular for high yield securities.

"ESG topics are in the spotlight as never before. On the one hand, investors increasingly demonstrate their desire to invest their savings taking into account environmental sustainability, social and good governance parameters, while on the other hand, European policymakers are introducing a series of training and information requirements", Politecnico di Milano Professor Giancarlo Giudici commented, "It is therefore essential for asset managers to study the market and be ready for this new challenge".

Marco Barbieri



Come ci vedono gli investitori internazionali	How international investors see us
Nel 2019 L'Italia è ottava per attrattività	In 2019, Italy ranks number eight for investment attractiveness
Stati Uniti	United States
Germania	Germany
Cina	China
Spagna	Spain
India	India
Francia	France
Regno Unito	United Kingdom
Italia	Italy
Brasile	Brazil
Russia	Russia
(media di valori tra 1 e 10. 10 = molto attrattivo)	(average of values between 1 and 10. 10 = very attractive)
Cresce La quota di investitori stranieri che ritiene L'Italia meno attrattiva rispetto ai 12 mesi precedenti in %	The percentage of foreign investors who think that Italy is less attractive than it was 12 months earlier is growing
Più attrattiva del passato	More attractive than in the past
Attrattiva come in passato	As attractive as it was in the past
Meno attrattiva del passato	Less attractive than in the past
centimetri	centimetri

General opinion on the country is still insufficient

The regulatory situation and attractiveness factors weigh on the situation

