A&F la Repubblica Affari&Finanza
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Analysis

An ecological turnaround also in the financial sector, greater yields and an ethical approach

More than the decision itself, the reasoning behind it has had the greatest impact. When EIB Vice President, Andrew McDowell, was interviewed a few days ago by Bloomberg about his decision to stop investing in fossil fuels, he explained that "it makes not sense for us to continue to invest in 20 to 25-year assets that are going to be overtaken by new technologies". The expert also noted the role of the European Investment Bank for development in this regard and acknowledged the growing pressure from institutions and groups of citizens for a green overhaul of investments. However, it was his comments on business that made the greatest impact.

This is because they demonstrate that, behind the new wave of ESG activity (investments based on environmental, social and governance criteria), there is not only an ethical motivation, which would have a limited impact alone compared to performance considerations, but there is also an awareness that responsible investment is good for the portfolio.

This is not only true for stocks but also for bonds. A study conducted by Banor Sim and the Politecnico di Milano School of Management has, in fact, demonstrated improved performance of bonds associated with good ESG practices, particularly for high yield securities (those issued by companies classed as higher risk by the market). The parameter that makes the most difference is good governance, whilst environmental and social factors are perceived as less significant.

A TURNING POINT FOR THE ROUNDTABLE

The new "declaration of principles" adopted by the Business Roundtable mid-August marked a turning point. The commitment made by the association that brings together 180 leading US companies (from JP Morgan to PepsiCo, and from Costco to Patagonia) is clear: the goal of a company must not only be profit for shareholders but must be accompanied by responsibility in regard to personnel, suppliers, the environment and the community.

Basically, there is a new ethical map that realigns the mission towards a social approach, predicting that this will also be a key aspect of medium-term success.

Attention to this area is growing amongst big investors, as demonstrated by the decisions of the Norwegian sovereign wealth fund (probably the largest investor in the world), that in recent years has oriented its portfolio choices towards companies that respect gender equality and diversity and that, in the summer, opened to investments in unlisted companies in the renewables sector, also deciding to significantly reduce gas and oil exposure. "This is not an environmental decision, but one that safeguards our portfolio", explained the fund managers. And the British Government also acted in recent months, setting new rules for pension funds that favour ESG investments in their allocation decisions.

Thus, 15 years after then General Secretary of the United Nations, Kofi Annan, urged leading global financial institutions to consider ESG factors in their portfolios, investments that fall within this category have reached just under 31 trillion dollars. This corresponds to a third of global GDP (i.e. wealth generated each year), according to a study by the Global Sustainable Investment Alliance (GSIA). According to this body, Europe is the region most sensitive to these topics, with 49% of professionally managed businesses following some form of sustainability guideline, compared to 26% in the US and 18% in Japan.

DIFFERING AWARENESS

A cross section of the Italian situation can be seen from a study by the Sustainable Finance Forum in collaboration with Mefop (Italian national company for development of the pension fund market) and MondoInstitutional (Italian institutional investors monitor), conducted through interviews with Italian welfare investors. The study found that 47% of operators have adopted sustainable and responsible investment policies for equity management and the majority of plans that do not currently include sustainability criteria have launched evaluations for this purpose. Additionally, more than half of active plans apply responsible strategies to more than 75% of equity managed. The reasons? Top of the list is the desire to contribute to sustainable development and manage financial risk more effectively. For two out of three plans, considering those active in these areas, the board of directors defines the investment approach in general terms, leaving the manager to translate this from an operational perspective. More than 93% declare that the BoD evaluates investment performance from a sustainability perspective at least once a year. In this regard, it should be noted that different factors apply for pensions investors compared to the general market, for two key reasons. Firstly, managers investing employee contributions have a long-term view and pay greater attention to certain themes, and secondly, EU directives push sustainability in investments choices. These areas were discussed at the recent Salone Sri event, opened by a speech from the Chairman of Assogestioni, Tommaso Corcos, who cited Greta Thunberg's activism, amongst other factors, as a driver of growing awareness to these topics also on the part of small investors.

SUPPORTING THE REAL ECONOMY

This is a factor that prompts asset managers to pay increasing attention to the role that private assets can play in service of the real economy in the long term. On the same occasion, AIPB (Italian Private Banking Association) research was also presented that highlighted growing interest in sustainable and responsible investments amongst private banking customers: 48% of respondents positively assessed this type of investment, acknowledging the positive effects for future generations. Furthermore, 75% of those interviewed felt that attention to sustainability created value over time for all business players. However, 23% of customers with greater assets (largely retired) declared themselves still to be against ESG investment, showing that there is still a lot of work to do at a cultural level.

LUIGI DELL'OLIO, MILAN

The driving force behind the boom in ESG investments is not only moral in nature, but includes an awareness that green investment is good for the portfolio. And the international giants are acting accordingly.

180

COMPANIES

In the US, 180 companies have made the commitment to view profit also from an ethical perspective

1 Production of clean energy is one of the most significant assets in portfolios that focus on environmentally sustainable businesses.

Focus

PERFORMANCE

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The numbers

47

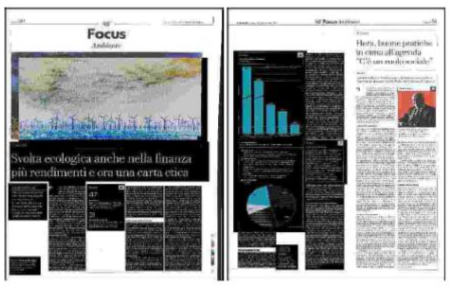
PERCENT

According to a survey, 47% of operators have adopted a sustainable investment policy

31

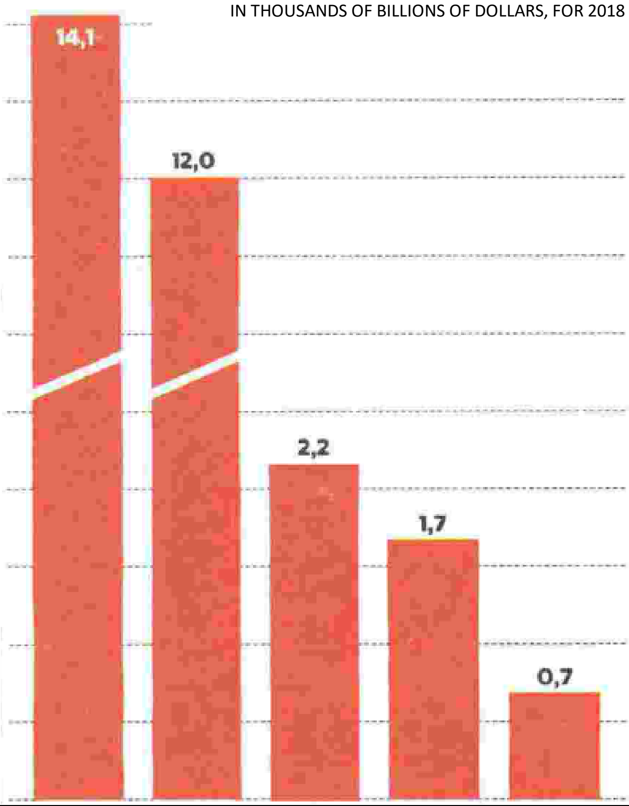
TRILLION DOLLARS

Green investments have reached a value of almost 31 trillion dollars


Focus
Ambiente
Svolta ecologica anche nella finanza più rendimenti e ora una carta etica

The numbers

SUSTAINABLE INVESTMENT
AROUND THE WORLD



SOURCE; GLOBAL SUSTAINABLE INVESTMENT ALLIANCE

THE POSITION
OF PRIVATE CUSTOMERS IN RELATION TO SUSTAINABLE INVESTMENTS

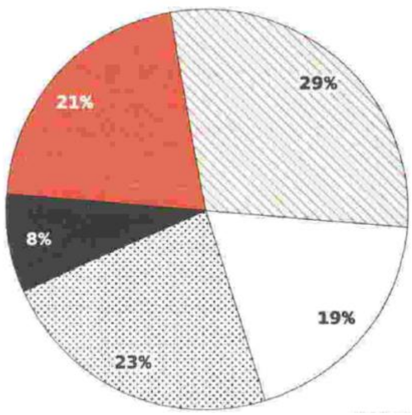
CONVINCED
TARGET THEIR INVESTMENTS TOWARDS AREAS THAT OFFER RETURNS FOR THE COUNTRY, WITH PARTICULAR ATTENTION TO **SUSTAINABLE AND RESPONSIBLE INVESTMENTS**

UNINFORMED
DECLARE THAT THEY WOULD LIKE TO TARGET THEIR RESOURCES TOWARDS AREAS THAT OFFER RETURNS FOR THE COUNTRY, BUT **ATTENTION** TO SUSTAINABLE AND RESPONSIBLE INVESTMENT IS **VERY LOW**

DETACHED
RESPONSIBILITY OF INVESTMENTS IS OF SECONDARY IMPORTANCE, THE ONLY AIM IS **PRODUCT OPTIMISATION**

AGAINST
TOTALLY AGAINST SUSTAINABLE AND RESPONSIBLE INVESTMENT, LARGELY **RETIRED**

INDIFFERENT
TO THE TOPIC



SOURCE: IPSOS FOR AIPB