

Responsible Investment Barometer

Responsible Investment and Italian asset managers: practices and perspectives



207 analysed asset managers



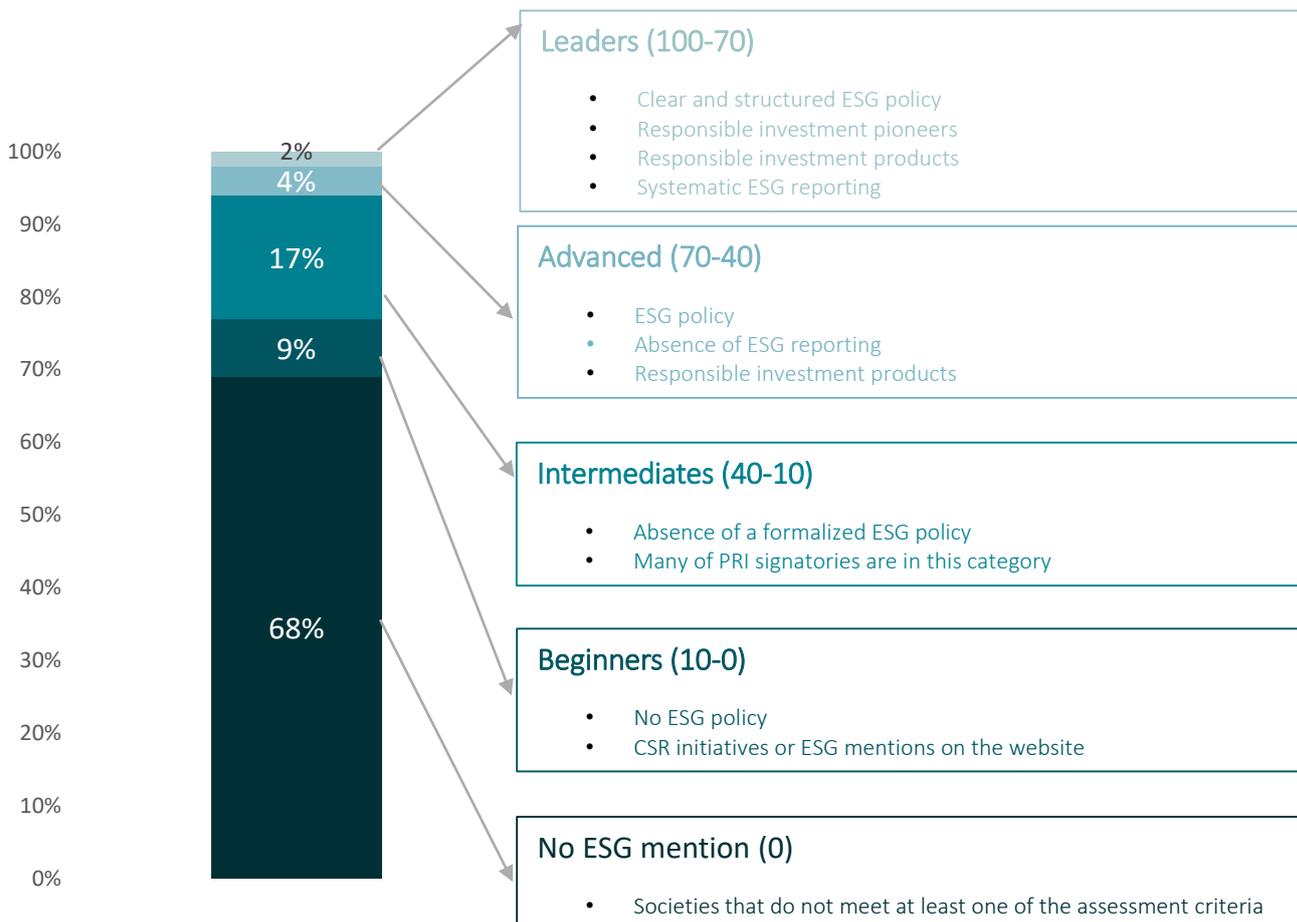
19 assessment criteria

The Responsible Investment Barometer reflects the maturity of the responsible investment practices of the Italian asset managers that are part of Banca Italia “Elenco Unico delle SGR e delle SICAF/SICAV”. Only 66 out of the 207 asset managers analysed (20 of which deal mainly with listed assets and the remaining 46 with unlisted ones) meet at least one criterion of the assessment methodology developed by EthiFinance. Our analysts used only the public information available on the different societies’ websites in order to complete their assessments. This is because EthiFinance considers that transparency is a fundamental component of Environmental, Social, and Governance (ESG) integration.

Each criterion has a score and the sum of them – weighted according to their relative importance – leads to a final rating. The graph below depicts the subdivisions of the bulk sample on the basis of the different final ratings:

- **68%** of the analysed sample do not communicate any information about ESG integration in their investments.
- Only **6%** of the analysed societies (Leaders + Advanced) have formalized a clear and structured ESG integration strategy, with precise and long-term objectives.

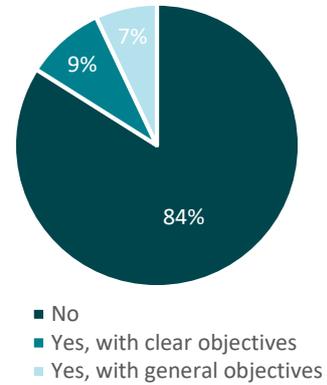
The responsible investment practices maturity level is therefore still quite low, but set to increase. For example, international growing awareness about climate and social issues are driving investors to increasingly take into account sustainability in their investment decisions.



Only a modest percentage of the Italian asset managers mentions ESG criteria or sustainability on their website, and this highlights the need to improve transparency.

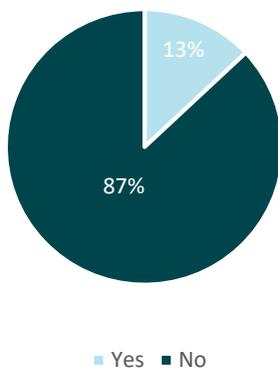
- Only **17%** of the asset managers analysed mention ESG criteria or sustainability linked to the Sustainable Development Goals (SDGs) of the UN on their website.
- Transparency is a fundamental element in the ESG integration strategy. The European Union has been clear on this subject: a regulatory proposition of May 2018 states that the first step for asset managers is to update their websites with information regarding their ESG policy, their ESG integration process, and the assessment of positive and negative impacts of this policy.

ESG criteria mentioned on the website



PRI signatories rose markedly in 2019: asset managers, following asset owners and civil society, are increasingly paying attention to environmental and social issues, and PRI signing is a strong signal at an international level in favour of a more sustainable management.

PRIs signatories (%)



PRI signatories

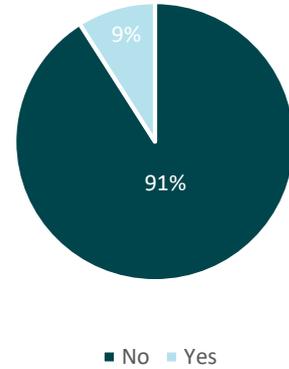


- **13%** of the analysed asset managers signed the Principles for Responsible Investment (PRIs) of the UN.
- Signing the PRIs is a clear statement of the will to publicly integrate ESG criteria into investment decisions, and it can precede or succeed ESG integration and ESG policy formalization.
- A small number of asset managers signed the PRIs before 2015 (the year of the Paris Agreement on climate change). These asset managers are the pioneers of the responsible investment in Italy, and they are mostly to be found in the “Leaders” category.
- The sharp increase in signings in 2019 (15 new signatories) shows the growing interest in the Italian market for sustainable products, and investors’ increasing awareness that ESG integration has become a real market norm at the European and international levels.

An increasing number of asset managers in Italy offer thematic and impact investment products. The new responsible investment trend.

- **9%** of the Italian asset managers manage thematic funds, a higher percentage as compared to asset managers that manage standard responsible investment products (8%).
- The most common themes are energy efficiency, renewable energies, and social housing for real estate.

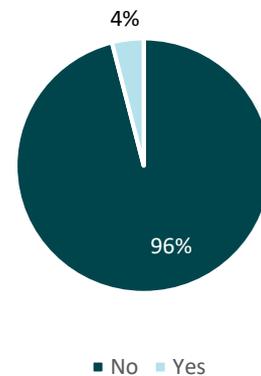
AM that offer thematic funds



The formalisation of an active ownership policy is still the prerogative for asset managers that show a high ESG maturity.

- Only **4%** of the sample formalize a dialogue policy with the invested companies. Nevertheless, active ownership is becoming more significant at the European level.
- As we will show afterwards, these societies are more mature in terms of ESG and they are in the “Leaders” and “Advanced” categories.

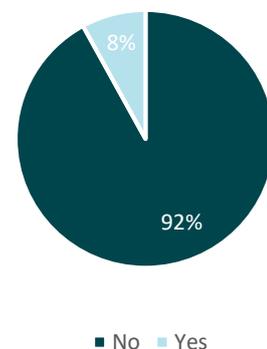
Engagement policy



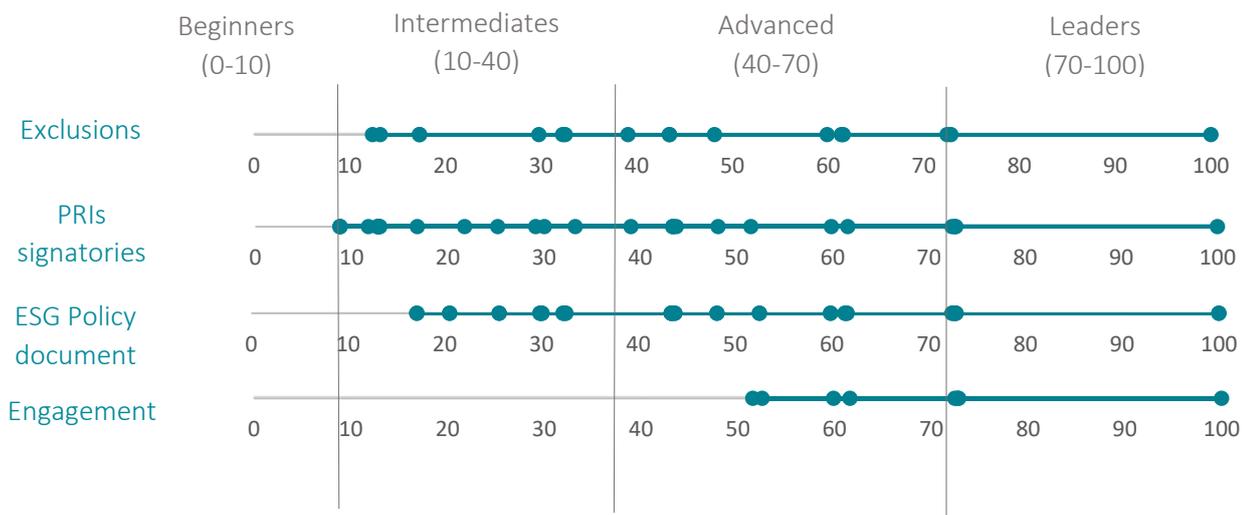
Few asset managers formalize an exclusion policy, and their attention is mainly directed on ethical exclusions (tobacco, pornography etc.) neglecting sectoral exclusions linked to climate change (e.g. fossil fuels).

- Only **8%** of the asset managers analysed formalize an exclusion policy (sectoral or regulatory) in their investment universe.
- The main regulatory exclusions are the Ottawa and Oslo Conventions (anti-personnel mines and cluster bombs).
- At a sectoral level, the most common exclusions are money laundering, activities such as the financing of terrorism, tobacco, pornography and gambling.

Sectoral and normative exclusions



- In conclusion, with an average score of **25**, the Italian market's ESG maturity is still limited set against international standards.
- Nevertheless, there are many signals that a positive dynamic in terms of ESG integration has been developing: first of all, the growth of the PRIs signatories in 2019 is reflective of a strong will of the Italian asset managers to integrate sustainability into their investment decisions and to publicly account for their ESG policies; and secondly, numerous statements of position in favour of ESG integration, such as the recent ESG criteria inclusion in their investment decisions from Banca Italia or the publication of "ESG guidelines" from AIFI.
- One of the major obstacles to a clear and generalised ESG integration is the lack of a legislative framework in Italy, as compared to other European countries like France where an ESG disclosure is required by law (Art. 173 of the "Loi pour la transition énergétique" of 2015).



- The graphic above indicates the number of asset managers that formalize their ESG objectives accordingly to the Responsible Investment Barometer criteria. It allows us to draw up a hypothetical ESG strategy realisation trajectory.
- We can observe that the exclusion policy formalisation is quite a common initiative, taken by a huge number of intermediate actors, as well as the decision to sign the PRIs. Conversely, we can appreciate that the formalisation of an "ESG Policy" document and the formalisation of a dialogue policy are two initiatives which indicate major ESG maturity. The asset managers that have formalized both ESG and dialogue policies are usually located in the "Advanced" or "Leaders" category.

Founded in 2004, EthiFinance is a leading agency in Environmental, Social and Governance (ESG) research and Socially Responsible Investment (SRI) consulting. For almost 15 years, EthiFinance has been assisting investors and companies in their strategic management of ESG risks and opportunities.

- **ESG research:** Leader in the rating of European SMEs Methodology with ARISTA certification (ESG quality & independence standard). Historical data on more than 900 listed SMIDs.
- **SRI consulting:** Definition and implementation of asset owners and asset managers' Responsible Investment Policies: ESG charter, fund reporting, shareholder engagement, etc. Outsourcing SRI functions (research, reporting). Ranked among the best advisory agencies (Capital magazine, Oct. 2016).

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