Rome Investment Forum 2019
In co-operation with afme/
Finance for Europe
9–10 December 2019, Scuderie di Palazzo Altieri, Rome

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ESG and Private Banking

FeBAF – Rome Investment Forum 2019

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9-10 dicembre 2019
Global growth of Sustainable and Responsible finance has recently accelerated

Source: Global Sustainable Investment Review, 2018
More sophisticated strategies are growing weight in Europe

ESG integration and Engagement

- Best-in-Class
- Sustainability Themed
- Norms-based Screening
- ESG Integration
- Engagement and Voting
- Exclusions
- Impact Investing

Source: Eurosif 2018 – €
Majority of Private Customers considers values in financial investment decision

Question to Private Customer → «Regarding how to invest your wealth, how important are the following aspects?»

My investments generate value for/my investments are...

- **...my TERRITORY**
  - Very much: 9%
  - Almost: 44%
  - Not much: 39%
  - Not at all: 8%

- **...my COUNTRY**
  - Very much: 9%
  - Almost: 54%
  - Not much: 29%
  - Not at all: 8%

- **...to SUPPORT EMPLOYMENT**
  - Very much: 12%
  - Almost: 52%
  - Not much: 30%
  - Not at all: 7%

- **...SUSTAINABLE and RESPONSIBLE**
  - Very much: 9%
  - Almost: 50%
  - Not much: 33%
  - Not at all: 9%

Investment DRIVER

- Values in the first place, regardless of performance: 37%
- Maximize performance, regardless of where you invest: 59%
- Investing for performance but consistent with values: 4%
Definition of SRI is still uncertain

Question to Private Customer → «We talk a lot about Sustainable and Responsible Investment (SRI). What do you think it is?»

- I don't have an opinion because I don't know them: 36%
- An investment that ensures a sustainable world for future generations: 48%
- An investment that finances charitable and philanthropic projects: 16%

Source: Ipsos for AIPB
In-depth Customer scrutiny reveals 5 types of ESG Private Investors

- **COMMITTED**: They guide their investments towards areas that give back to the country, in particular to *sustainable and responsible investments*.

- **ILL-PREPARED**: They want to guide their investments towards areas that give back to their country, but the *knowledge* of sustainable and responsible investments is very low.

- **ADVERSE**: Clear closure to sustainable and responsible investments.

- **NOT ENGAGED**: The responsibility for investments is secondary, they only pursue *profit maximization*.

- **NOT INTERESTED**: The responsibility for investments is secondary, they only pursue *profit maximization*.

Source: Ipsos for AIPB
Hierarchy of criteria to define SRI: Private Customers put Governance first

Question to Private Customer → «Thinking about ESG, which criteria do you consider first?»

- **Social**: 25%
  - Respect for the social context by the company

- **Environmental**: 27%
  - Impact on the environment by the company

- **Governance**: 48%
  - Compliance with rules and controls in the management of the company

Source: Ipsos for AIPB
SRI and PERFORMANCE can go together

MCSI EUROPE ESG LEADERS INDEX (USD)

Source: EFAMA Report on Responsible Investment
Private Banker/Financial Advisor could be SRI main influencer

To avoid “BEING IN THE WRONG PLACE” in the world of sustainable and responsible investments...

...Private Bankers and Financial Advisors can address Private Customers towards investment choices which consider their values.

Question to Private Customer: «Which professional would you rely on for SRI?»

- Accountant: 22%
- Independent consultant: 13%
- Lawyer: 17%
- Private Banker/Financial Advisor: 48%
- and others: 6%
AIPB contributions for a better understanding of Sustainable and Responsible Investment

Through a book & a professional ESG Certification