

**ABI** Associazione  
Bancaria  
Italiana

 **ANIA**  
Associazione Nazionale  
fra le Imprese Assicuratrici

 **ASSOGESTIONI**  
associazione del risparmio gestito

 **Banche  
Assicurazioni  
Finanza**

*Charter of Sustainable and Responsible  
Investment of Italian Finance*

*Settimana dell'SRI*  
 Forum per la Finanza Sostenibile

## Introduction

The principle role of finance is to channel capital into the real economy to deliver sustainable growth over the medium to long term. In assessing investment it is therefore essential to consider a broader range of parameters beyond strictly financial ones.

The crisis that has affected international financial markets in the recent years is the result of various factors that have been addressed both through policy measures and with self-regulation initiatives by financial institutions; however, a greater awareness and responsibility among financial operators, with an eye on the possible environmental and social consequences of their choices, is key to the creation of a healthier financial environment and a more stable economy in the long run.

Considering the loss of confidence among companies and consumers that resulted from the economic crisis, the European Commission, has recently renewed its commitment to the promotion of Corporate Social Responsibility (CSR) by presenting the new strategy for 2011-2014.

The Italian representatives of the banking, insurance and financial sectors - ABI, ANIA and ASSOGESTIONI - and their Federation (FeBAF), consider it crucial to promote the integration between the criteria driving the decision making of financial institutions and a sustainable development perspective, generally understood as the search for a balance between social, environmental and economic elements when investing. With the signature of the "Charter of Sustainable and Responsible Investment of the Italian Finance", they acknowledge the relevance and the high social value of the principles contained in the Charter itself.

The signatory organisations also underline the importance of the adoption of this Charter on the occasion of the 10 year anniversary of the Italian Sustainable Investment Forum, celebrated during the First Italian Sustainable and Responsible Investment (SRI) Week: it is a testimony to the effort of the Italian SIF in promoting the culture of social responsibility in finance.

The members of each Association - ABI, ANIA and ASSOGESTIONI - are free to choose autonomously their approach to the principles established in the Charter, through the voluntary adoption of sustainable and responsible investment strategies and of ESG (Environmental, Social, Governance) criteria.

By subscribing to the present document, the signatory organisations declare to share its objectives and renew the common effort in spreading the culture of sustainability and social responsibility amongst their members and the business community as a whole. They also reinvigorate their willingness to promote the debate on social responsibility within the financial community and to support the adoption of sustainable and responsible investment practices. They aim at encouraging the dialogue among the Italian financial sector, the civil society and European and international institutions.

## Principio 1 – Sustainable and Responsible Investments

It is fundamental for the financial community to recognise the importance of the environmental, social, and governance issues within their investment decision making processes, not only on a moral ground but also with a risk management perspective.

In the current ever changing environment, the implementation of sustainable policies by the recipients of investments (companies and, to some extent, States) may have a positive impact on their economic performance. The companies who are able to foresee and respond to the future social and environmental challenges will be better equipped to deal with the different risks they are exposed to (in particular, reputational, legal, and financial ) and will be more competitive in the market place, at the same time stimulating other companies to also engage in a sustainability path.

Therefore, the signatory organisations trust that institutional investors, acting both for themselves and in third party interests, will look at the ESG variables with increasing attention, fully integrating the extra-financial analysis with the fundamental analysis and the investment processes. This is thoroughly in line with the new strategy of the European Commission, according to which, investors may contribute to a more efficient capital allocation and to the achievement of long-term investment objectives through the integrating of extra-financial information in their investment decisions<sup>1</sup>.

At the same time, the signatories hope that:

- practitioners and academics will cooperate more closely to develop and constantly improve analysis methods and measurement tools of the ESG variables and their impact assessment;
- statistical analysis regarding the performances of the SRI investments will be developed and spread, in order to widen the knowledge of the benefits of this approach, also in a financial perspective.

## Principio 2 – Disclosure

Disclosure is a fundamental value for every modern social system. Disclosure means giving access to essential information regarding the nature of an economic activity, the way in which it is managed and the impacts it has on stakeholders.

Transparency strengthens fiduciary relations among market players and lowers transaction costs, reducing information asymmetries. Accountability and responsibility imply the recognition of the *other* as an individual, legitimated to collect detailed and useful information in order to formulate a complete and mature opinion and choose knowingly.

On this point, the European Commission, in its strategic document, identifies the disclosure of extra-financial information as an essential part of the concept of *accountability*, which could help enhance trust in financial operators, especially in the present context<sup>2</sup>.

Signatory organisations therefore hope that:

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<sup>1</sup> COM(2011) 681, “A renewed EU strategy 2011 – 2014 for Corporate Social Responsibility”

<sup>2</sup> COM(2011) 681, “A renewed EU strategy 2011 – 2014 for Corporate Social Responsibility”

- there will be a progressive improvement in the quality and availability of information regarding environmental, social, and governance aspects (such an objective should involve financial institutions, distribution channels, investors, companies and other stakeholders);
- institutional investors (such as banks, asset managers, pension funds, insurance companies) and fund and portfolio managers who adopt sustainable and responsible criteria (ESG) within their investment strategies, will comply ever more effectively with the regulatory requirements providing thorough pre-contractual information and periodical financial reporting, with regards to the content of their ESG policies, the objectives pursued and the results obtained ;
- companies, mostly those issuing listed securities, will communicate, if the case, the adoption of sustainable development strategies, their implementation and the results attained.

In conclusion, signatory organisations do hope that the process towards the definition of shared and recognised standards regarding pre-contractual information and ESG financial reporting will be sped up.

### **Principio 3 – Medium-long term view**

The goal of sustainable development calls for a far-sighted perspective and a cultural change, leading people to interrogate more and more about the medium-long term effects of their investment choices and compounding them with their more immediate needs.

The adoption of such a perspective and the integration of the ESG criteria in the decision making processes sets the conditions for the reduction of serious distortions in decision-making generated by the tendency to focus exclusively on short term results (the so-called “short-termism”).

For this purpose signatory organisations hope that:

- institutional investors will strive to develop a strategic asset allocation consistent with their investment time horizons;
- companies will review management incentive schemes so to reward the creation of value for all stakeholders and avoid the consequences of opportunistic behaviour;
- financial institutions will sustain investors in the access to medium-long term investments through the creation of a dedicated offering.

In conclusion, signatory organisations do hope that the Legislator will promote suitable measures to support citizens’ medium-long term saving.

In line with the above, the signatories of this document are available to discuss the principles of the “Charter of Sustainable and Responsible Investment of Italian Finance”, to promote public awareness and stimulate discussion on the issues concerned and are willing to receive from stakeholders new inputs and suggestions .