Forum per la Finanza Sostenibile

Mefop

MONDO INSTITUTIONAL
Italian Institutional Investors monitor

The Sustainable and Responsible Investment Policies of Pension Plans

Fifth Edition
Executive Summary

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Since 2015 the Italian Sustainable Investment Forum (ItaSIF) has been carrying out a research on the **Sustainable and Responsible Investments of Italian pension plans**.
Originally based on the methodology developed by the Dutch Association of Investors for Sustainable Development (VBDO) for their Benchmark Responsible Investment by Pension Funds in the Netherlands, the survey is conducted through a questionnaire sent to the main pension plans in Italy.

The 2019 Edition

For the 2019 edition, conducted in collaboration with Mefop[1] and MondoInstitutional[2], the survey sample was broadened so as to ensure that findings would better represent reality.
The study analyzes the following:

- "**Casse di previdenza**", institutions that ensure social security and welfare provisions to the members of a specific professional category;
- "**Fondi Pensione Aperti**" – FPA, pension funds allowed to collect members from both individuals and groups (e.g. employees of a given company);
- "**Fondi Pensione Negoziali**" – FPN, collective agreements between the relevant employers' representatives and labour unions;
- "**Fondi Pensione Preesistenti**" – FPP, complementary pension funds that were in operation before Legislative Decree 124/93, which, for the first time, organically regulated the complementary pensions system; the aforementioned Legislative Decree allowed this type of pension funds to continue operating while deviating from the general regulatory framework;
- "**Piani Individuali Pensionistici**" – PIP, established by insurance undertakings in the form of life-insurance policies.

The sample is composed as follows: all Casse di Previdenza (22) and all FPN (33); the top 20 (AUM-wise) FPA, FPP and PIP. Overall, 115 plans were included in the sample, totaling **€219,462 million AUM**.
Besides, the structure of the questionnaire was updated so as to broaden the spectrum analyzed. The topics investigated were Governance, Investment Policy and Transparency.

Data Analysis

The **response rate was 78%** (90 plans out of 115). The category with the highest response rate is that of FPA, followed by PIP and FPP. **47% of respondents** (or 42 out of 90) reported that they **adopt a sustainable investment strategy for the products monitored**. The majority of respondents that do not integrate ESG criteria (28 out of 48) are now considering to do so.
Having regard to the regulatory framework, almost all respondents (98%) reported that they are aware, at least in general, of the actions and measures that the European Commission is working on in relation to sustainable finance; 30% reported that they know them in detail.
As regards the course taken by the Board of Directors in defining sustainable investment policies, in 64% of the plans that are active on the SRI front, the Board of Directors has defined the investment approach in general terms, leaving it to managers to translate principles into practices. Furthermore, **93% of active respondents** reported that their **Board of Directors evaluates performance from the viewpoint of investment sustainability at least once a year**. In 42% of cases, ESG valuations take place several times during the reference year.
More than half of the active plans (55% or 23 respondents) **extend their SRI policy to 75-100% of assets**. FPP and PIP in particular adopt sustainable investment strategies for almost all of their assets under management.

1. Funded in 1999 by the Ministry of the Economy and Finance, Mefop is the organization designated to foster the development of pension funds' market in Italy.

2. MondoInstitutional is a research and analysis company.

Of those plans that are active on the SRI front, **8 calculate the carbon footprint of their portfolio and 13 more plan to do so**. Measurement of the carbon footprint has been added or planned especially by: Casse di Previdenza (4 in 5), FPP (6 in 8) and PIP (5 in 8), with the outcome being used for benchmarking to the reference index and/or to identify such risks as are associated to climate change in the securities portfolio.
Having regard to the SRI strategies adopted, consistently with the findings of the European SRI Study 2018 promoted by Eurosif, **the most widely used strategy is exclusion**, **followed by best-in-class, impact investing and norm-based screening**. Sustainability themed investments are adopted above all for three types of alternative investments: real estate, private equity and infrastructures. The engagement strategy is less adopted by pension plans, most likely because it is more complex to organize and it is more difficult to define and price an engagement policy.
As regards the disclosure of the SRI policy, pension plans (and especially Casse di Previdenza and FPP) mostly disclose information on the ESG risk management policy but are less willing to disclose data on assets management according to SRI strategies in the different asset classes. As to the documents used, information on sustainable investment policies is disclosed in the investment policy document and the accounts for the year.

Conclusions

Integration of ESG criteria in investment decisions remains voluntary. However, in light of the new regulatory framework and of emerging environmental and social issues, one might rightfully wonder whether institutional investors can still act in the best interests of beneficiaries without taking such factors into account. Focus on sustainability is particularly important for pension plans due to their mid- to long-term time horizon and since they have to address the growing inequalities between generations in terms of both job opportunities and protection of fragile groups such as the elderly and those who are not self-sufficient.
Furthermore, the general public is increasingly aware of the importance of taking prompt and radical action to counter the climate crisis so as to avoid scenarios that would jeopardize the existence of numerous living species. As a result, for institutional investors (and in particular for pension plans) the integration of ESG aspects in investment processes will increasingly be an opportunity, if not a must.

The full report is available at this link (Italian version)
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