



Italian Savers and Climate Change

Executive Summary

Supported by

 Allianz
Global Investors

 etica SGR
Responsible Investments

 STATE STREET GLOBAL
ADVISORS

1. Introduction

The Paris Agreement on Climate Change and the UN 2030 Agenda for Sustainable Development have paved the way for transitioning to economic models focused on environmental and social sustainability. Still, as highlighted also by the recent “climate strikes”, in light of the frequency and intensity of the natural catastrophes that are hitting several areas the world over, we need **faster and more incisive action** to curb global warming as well as measures to adapt to what is referred to as the “**climate emergency**”.

The **Action Plan Financing Sustainable Growth**, launched in March 2018 by the European Commission, aims to boost investments in sustainable projects and promote the integration of Environmental, Social and Governance (“ESG”) criteria in financial processes, including in terms of risk management.

European institutions are focusing on **institutional investors**, requiring them to disclose to what extent they take account of sustainability, and **retail investors** alike. The Action Plan provides, amongst others, for changes to MIFID II¹, IDD² and to ESMA³ guidelines on suitability assessment of products, so as to include customer preferences as to sustainability among the items to be considered as part of advisory services.

At the same time, **financial players are taking an increasingly active role to tackle the climate emergency**. During the latest UN Climate Action Summit held in September 2019, 515 investors with US\$35,000 of AUM signed an appeal to ask governments to support investments for energy transition and improve the requirements of corporate reporting on climate risks. In general, the financial industry is headed for an increasingly systematic integration of ESG factors in investment processes and products. This holds true for both institutional and retail investors, as witnessed by the findings of the 2018 Eurosif Study⁴.

Against this background, Italian Sustainable Investment Forum (ItaSIF) and BVA Doxa have decided to **probe into the level of awareness of Italian retail investors as to the materiality of environmental issues** in their investment choices and propensity to invest in Sustainable and Responsible Investment (SRI) products.

2. Methodology

The main objective of the 2019 survey was to **examine the attitudes of Italian savers** and investors so as to **understand if and how environmental themes can impact their investment decisions**.

As the previous surveys⁵, also the one examined here comprises a general section on saving and investment attitudes, followed by an analysis of the propensity to integrate sustainability considerations in financial choices. The survey at issue here specifically **deep-dives on climate change** with questions to all savers and a breakdown of the investment attitudes of those who are more sensitive to environmental issues.

The survey was conducted in **September 2019 using CAWI** (Computer-Assisted Web Interviewing) and the interviewees were scouted through proprietary online panels: this methodology enables to capture **profiles that are on average more advanced, better informed and more multi-bancarized** as compared to more traditional ones.

1,012 respondents from across Italy, **aged 25 to 64**, were interviewed; the interviewees **have invested over the last year savings worth at least €1,000**. Data was gathered through a **structured questionnaire** comprised of close-ended questions and a number of deep-dives with open-ended questions.

The key findings of the survey are summarized in the next pages.

1. MiFID II (Directive 2014/65 on Markets in Financial Instruments) – transposed in Italy under Legislative Decree 129/2017.

2. IDD (Directive 2016/97 on Insurance Distribution) – transposed in Italy under Legislative Decree 68/2018.

3. ESMA (European Securities and Markets Authority) is one of the three European financial supervisory authorities (alongside EBA and EIOPA), all established in 2011 in view of protecting the stability of the European financial system.

4. Eurosif 2018, *European SRI Study*: <https://bit.ly/2Yb3za2>

5. ItaSIF and BVA Doxa conducted surveys on the Italian retail market in 2013, 2017, and 2018.

3. Main Outcomes

Attitude of Savers towards Environmental Issues

The aspects savers care most about are waste segregation, use of LED light bulbs and daily conducts aimed to curb waste (with over 60% of interviewees having shifted to such good practices).

The **environmental emergencies that concern them most** (reported by one saver out of two) are **temperature rise** and the resulting melting of glaciers, alongside air and sea **pollution**.

As regards the **actions taken by companies** to protect the environment, those that were most frequently reported by interviewees are: **use of renewable sources** (63%), **embracing circular economy and recycle/reuse policies** (61%) as well as **reduce the use of plastics** (54%).

Risks Related to Climate Change

According to **70%** of savers, **damage to health and people safety** pose the **largest climate-change-related risk to the economy**, followed by **damage to crops** (62%) and the **increase in migrants flows** (45%) – with the latter being a possible indicator of a growing awareness of the correlation between environmental and social issues, as shown by the phenomenon of environmental refugees.

One respondent in two reported that, in order to tackle the climate emergency, **sanctions for companies should be harsher** and penalties should include fines and imprisonment. 33% of interviewees reported that **it is mainly up to European institutions to prevent environmental risks**, followed by energy producers and domestic institutions (according to 18% and 17% of savers respectively). **11%** of interviewees, instead, reported that **domestic financial organizations should play a primary role in protecting the environment** (in particular, banks and insurers).

As such, **the new regulations and mandatory certifications related to environmental aspects will have a significant impact on economy and finance** according to 30% of savers. Among production and market factors, instead, those that will be most impactful are the following: scarcity of raw materials, new environmentally-friendly production technologies and growth in the demand of green products (with these being very impactful elements, for 32%, 30% and 26% of savers respectively).

Investment Habits

The focus of investee companies on environmental sustainability is fairly or very material for 59% of savers (for 17% of interviewees it is very material). More in general, the **main investment drivers** remain **risk** and **flexibility** (deemed to be very important by 51% and 44% of interviewees); followed by reputation of the intermediary, reputation of the investee company and investment performance (the latter being considered to be very impactful by 38% of interviewees).

Hence, caution remains the guiding principle for savers, with **59%** of them **choosing low-risk investments** to the detriment of return and only 19% investing capital with a time horizon exceeding 5 years.

Furthermore, **Italians still tend to save money**⁶: those who have increased their savings exceed by 9% those who have reduced their savings/investments. Also, the **importance of financial players and sales networks** has been confirmed, with 52% of investors being supported by their bank's advisor, 17% by their insurer's advisors and 17% by an independent financial advisor.

Environmental Themes and Sustainable Finance

One interviewee in three considers environmental themes to be material: indeed, 31% are willing to increase investments in financial products that take these aspects into account. Still, regardless of the level of sensitivity to environmental issues, almost **60%** of interviewees agree that **ESG themes are not duly taken into account** by banking and financial players **even though incorporating ESG themes boosts profits** (for 47% of savers) and **reduces risks** (for 37% of savers).

6. As shown also by the Survey on Italian Savings and Financial Choices carried out by Centro Einaudi and Intesa Sanpaolo in 2019: <https://bit.ly/2ougjvb>

The **themes associated to sustainable and responsible investments are: protection of the environment** (55% of savers), **social aspects** (30%), governance (8%) and the financial dimension (7%). **Among those who have invested in SRI products**, one in four reported that the fact that investee companies have **policies in place to support the environment** has played a **very important role in their financial choices**.

Knowledge of the sustainable finance products however, is still limited: 43% of savers have never heard about SRI products.

Propensity to invest in SRI products

At present, the diffusion of sustainable investments is still limited: among those who have already heard about SRI, just **one interviewee in four have invested in sustainable products** (unaltered compared to 2018). Likewise, the percentage of **investors who would change their financial intermediary in order to be offered a broader range of SRI products** has remained at **57%**.

The main reasons for not investing are, as in previous surveys, **limited knowledge** of product characteristics (mentioned by 47% of savers) and **absence of adequate publicity** (36%), followed by **insufficient promotion** by financial players (24%) and advisors (19%). Still, some **encouraging signs are coming from the sales network:** as compared to 2018, the proportion of investors to whom players have proposed sustainable investments is up 9%.

Instead, **56%** of interviewees (60% in 2018) reported that **information on sustainable finance** in Italy is **inadequate**.

Corporate Social Responsibility (CSR)

Environmental protection is the most frequently reported theme by savers on the front of **Corporate Social Responsibility** (54%), alongside **respect of human and social rights** (55%); followed by corporate welfare (50%) and financial support for social and environmental projects (30%). **Savers still do not know much about Corporate Social Responsibility (CSR):** as few as 23% reported that they know this topic in detail. Among those who have at least heard about it, only two in five are aware of the socially responsible initiatives of the companies in which they have invested.

Most savers are skeptical as to the effectiveness of such policies: 48% believe that companies are merely **greenwashing** that does not translate in socially responsible actions. **This disillusionment reflects that of Italians at large** (as shown by the findings of a BVA Doxa survey⁷) with 40% of them considering CSR activities as a form of marketing, which proportion increases to 43% amongst graduates and 47% among those who are aware of what CSR is, whereas 22% don't have a clear opinion on this.

Only 27% of savers (and 33% of Italians as a whole) **believe it is very important to be informed of the socially responsible conduct of the companies of which they are customers.**

Conclusions

The survey shows that some Italian savers have embraced consumption-wise practices in their daily life, and are somewhat sensitive to environmental issues in terms of financial choices.

Still, this sensitivity does not entail adequate awareness of the final purpose of their investments or full awareness of the financial products available on the market. **Alongside environmental aspects, transparency and clarity of the offer remain the most important elements for their investment decisions.**

The protection of the environment is the aspect most frequently associated to sustainable and responsible investments and, among SRI investors, the presence of policies or initiatives to support the environment in investee companies plays an important role in their investment choices.

Those savers who are keen on environmental sustainability are more inclined to invest in SRI products, even though the spread of this type of products is still limited for the time being.

The survey confirmed that at present information is inadequate and a proactive and purposeful network is needed.

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

For further information about ItaSIF visit the official website www.finanze.sostenibile.it

7. BVA Doxa 2019 CSR Survey.