



Sustainable Finance is on the Frontline of Revamping the Economy

Considering the dramatic economic and financial impacts that COVID-19 pandemics is having worldwide and, in particular, on Europe and Italy, the Italian Sustainable Investment Forum highlighted 7 sectors where the responsible investors community can play a crucial role for enabling the economic recovery.

In the next few weeks we will analyze each sector, with the aim to identify lines of work and useful tools to improve research on effective responses to the crisis from the financial community to the real economy.

Here below the editorial comment by our President Pietro Negri and Secretary General Francesco Biciato (on Wednesday, April 15th the article was published on Sole 24 Ore financial newspaper):

The crisis we are living witnesses to the disruptive impact on the economy of social and environmental dynamics. As demonstrated by several studies, sustainable finance makes it possible to mitigate these threats and support the transition towards greener and more inclusive growth models, while, at the same time, creating value for investors and communities alike. These benefits arise from the integration of environmental, social and governance (ESG) criteria and a long-term time horizon into investment strategy.

In the current health crisis (and, importantly, climate crisis), **sustainable finance will play a key role in revamping economic growth.**

In fact, the recovery will have to **address the social and environmental vulnerabilities that played a role in the crisis**, such as pollution, the loss of biodiversity or scarcity of means to protect the health of citizens.

Only if we do so, we will be able to **equip countries with such antibodies as are required to respond to future challenges.**

As part of this vision, the **Green New Deal** introduced by the latest Italian budget law is not a mere nice-to-have add-on to defer waiting for a favorable trend to emerge; rather, it is **the key tool to support a green and inclusive recovery**, in line with the **EU Green Deal** and with the **UN 2030 Agenda**.

Over the last two years, the EU has been working to produce a **taxonomy**, a common language to enable the States, enterprises and investors to identify those economic activities that contribute towards achieving the EU environmental targets. **It is important for the economic recovery plans to adopt this tool.**

The synergy among institutions, enterprises and financial players is central in view of radically changing economic models. Besides the credit support measures provided for under Decreto Liquidità¹, a **robust mid-to-long-term investment plan** needs to be worked out now, based on these pillars:

1. **Encourage investments in renewable energies, sustainable mobility and energy efficiency** in view of neutralizing some of the main threats to the health of citizens, such as **air pollution**. Indeed, according to the European Environment Agency, in 2016 in Italy PM_{2.5}² alone caused 58,600 casualties. It is on these sectors that **sovereign bonds** could focus in order to curb the environmental impact of human activities.

¹ Translator's note: Decree that has been issued by the Italian government to provide liquidity to enterprises hit by the effects of lockdown.

² Translator's note: particulate matter that has a diameter of less than 2.5 micrometers.



2. **Focus on public-private partnerships and impact investing for public healthcare and social infrastructures:** these approaches enable to increase the quantity and quality of services, efficiently use capital and free up the resources of the public sector. The function of the public sector is to provide guidance for core industries, in collaboration with enterprises and institutional investors. The current crisis gives a first indication on the direction of these actions: **healthcare and strengthening of services in small municipalities and other areas of the country that are difficult to reach.**
3. **Enhance the value of the services provided to people, especially in the social and healthcare spheres:** it will be necessary to stay focused particularly on caregivers (totaling 8.5 million in Italy according to ISTAT³) and Third Sector entities (totaling 350.000 organizations with 900,000 employees and 5 million volunteers). As part of this effort, it is crucial **to encourage responsible investors and Third Sector entities to get to know each other better**, for example through a massive adoption of successful experiences like **Cantieri ViceVersa**, a project promoted by the Italian Sustainable Investment Forum and the National Forum of the Third Sector.
4. **Foster a green digital innovation and fill the digital divide:** according to the 2019 Digital Economy and Society Index, Italy still ranks very low in Europe in terms of digital transformation. The policies and investments required to strengthen technological infrastructures will have to go for inclusive and low-environmental-impact solutions.
5. **Trigger collaboration and trust between sustainable finance and the real economy:** this is key to support production, employment and consumption in the long term. **Individual Savings Plans (PIRs) could be re-defined and extended to sustainable SMEs.**
6. **Enhance financial education through the expertise of financial advisors:** programs need be set up to reach out to the entire population, starting from primary schools. According the Bank of Italy, as little as 30% of Italians have the basic knowledge required to make sound financial decisions. Financial education is essential especially during crises, when one might give in to the temptation of irrationality that could further jeopardize the financial position of households.
7. **Boost international collaboration among financial players:** multiple reference principles and standards are available on sustainability, the main being the UN 2030 Agenda, the Financial Stability Board guidelines for the disclosure of information on climate (TCFD) and the Green Bond Principles.

The Italian Sustainable Investment Forum has been working on these themes since 2001 by conducting research, disseminating information and engaging with its members. At this stage (which is a crucial stage for Italy and Europe) we are ready to collaborate with the institutions, contributing our experience and our role as point of reference for the Italian community of responsible investors.

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³ Translator's note: Italian central statistics office.