



# The sustainable and responsible investment policies of Italian Banking Foundations

First edition – 2020

# % DPAM

DEGROEF PETERCAM ASSET MANAGEMENT

DPAM is an independent active asset management firm and a pioneer in sustainable investment. The firm applies Environmental, Social and Governance (ESG) investing principles across asset classes and themes and it also engages companies on ESG practices, including via its voting policy. DPAM has a strong focus on research with in-house fundamental and quantitative analyst teams that interact with each other, supporting the asset management activities. Responsible and Sustainable investing brings double-added value: on the financial side as well as on the sustainability side. First, there is the financial aspect. Investing in companies and countries that integrate ESG considerations into their business models, or do their best to ensure the long-term welfare of their citizens, exposes shareholders and bondholders to fewer 'tail risks'. Second, the sustainability aspect. The planet faces multiple challenges in terms of climate change, resource scarcity and water supply. We can be of added value to society as a whole when we invest in companies and countries that take such challenges into account. DPAM has been active for over 18 years in Responsible & Sustainable Investments, a segment that it considers a strategic domain of development. We believe it constitutes a structural trend which is here to stay. This conviction pushes us to continually invest in resources and research. For us, being a sustainable investor is not solely about offering responsible products, it is a global commitment at the company level defined by a consistent approach to sustainability. Thus, sustainability principles are also applied at company level. For example, in 2011, DPAM became a signatory to the Principles for Responsible Investment (PRI). In 2020, for the fourth year in a row, DPAM has obtained the top A+ rating from the PRI.



Natixis Investment Managers assists investment professionals by providing them with solid expertise to build better portfolios. It benefits from the experience of more than 20 specialist asset management companies worldwide. Natixis Investment Managers is one of the largest management companies in the world<sup>1</sup> (AUM 909 billion USD\*).

Natixis IM is firmly committed to pushing the sustainable finance debate forward. Therefore, it is an active contributor in a select number of forums: World Economic Forum – Alliance of CEO Climate Leaders; Investor Leadership Network; Focusing Capital on the Long Term; Ceres; IIGCC (Institutional Investors on Global Climate Change); One Planet Sovereign Wealth Fund initiative.

Natixis IM is committed to investing responsibly as defined by the Principles for Responsible Investment (PRI), supported by the United Nations incorporating ESG considerations in investment analysis and decision-making processes and being an active owner incorporating ESG issues into its ownership policies and practices.

Natixis IM is a PRI signatory and all of its affiliates recognize these principles; most of its affiliates are also PRI signatories in their own right (covering 94% of AUM).

\*In the Cerulli Quantitative Update, Global Markets 2020, Natixis Investment Managers ranked 17th in the world in terms of assets under management as at 31 December 2019.

\*\*Source: Natixis IM (31/03/2020).



Prometeia Advisor Sim is part of Prometeia Group which has over 40 years of experience in quantitative analysis and is market leader for Risk & Wealth Management solutions. Prometeia Advisor Sim is the leading financial advisory firm for Italian institutional investors: more than 100 institutional investors work with our experts, a 50+ highly specialized team, appreciating their competence and ability to provide innovative, customized solutions. Its clients are Banking foundations, Social security agencies, Pension funds, Health funds, Insurances and Family offices, and HNWI. Headquartered in Bologna Prometeia Advisor Sim has offices in Milan and Rome. Since its establishment in 2006, Prometeia Advisor Sim has adopted principles of social responsibility in carrying out its activities with the aim of generating a positive impact for customers, employees, the environment and the community in which it operates. As advisors Prometeia Advisor Sim recognizes the importance of promoting sustainable and responsible investment policies and encouraging the alignment of investors' objectives with the broader goals of the Society. Prometeia Advisor Sim provides institutional investors with solutions to address the challenges of sustainable development and integrate ESG factors within efficient financial management. Prometeia includes sustainability considerations in every phase of our business and offer our Clients a holistic perspective that encourages the inclusion of ESG criteria at all stages of the investment process, from the definition of policies to the choice of strategies and tools to achieve financial and sustainability objectives.



Founded in 1937 in Baltimore by Thomas Rowe Price jr., T. Rowe Price has grown to become one of the world's largest active management companies. With more than \$1.220 billion AUM\*, T. Rowe Price is inspired by the founding principle that the long-term firm's success follows those of its clients. Consistent with that principle, T. Rowe Price feels the obligation to understand the long-term sustainability of the companies in which they invest. This is why ESG (environmental, social, and governance) factors are key considerations in the company investment process.

Signatory since 2010 of the Principles for Responsible Investment (PRI), it abides by their definition of "responsible investment", according to which the consideration of ESG factors in the investment process allows better management of risks and better financial performance. Our analysts consider ESG factors in the evaluation of companies and in assigning their ratings, while the portfolio managers are focused on the same ESG factors as they consider these have a material impact on investment performance. In-house ESG specialists support the team at all stages of the investment process.

In the 2020 PRI Assessment Report T. Rowe Price has been awarded the highest rating of A+ across all 7 categories\*\*. T. Rowe Price is a global firm operating in 16 countries, it employs over 7,527 employees including 675 investment professionals.

Significant organizational and financial stability and experience through all types of market conditions contribute to a proven business strategy designed to produce strong and long-term performances.

\*The combined assets under management of the T. Rowe Price Associates, Inc and its investment advisory affiliates. All figures are as of 30th June 2020.

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# 1. Introduction

## 1.1. THE FIRST EDITION

In the wake of the research conducted by Forum per la Finanza Sostenibile (the Italian Sustainable Investment Forum – ItaSIF) on the sustainable and responsible investments (SRI) of pension plans<sup>1</sup>, ItaSIF started – in collaboration with Acri (the organisation which represents Banking Foundations and Savings Banks) and MondoInstitutional – a survey of the sustainable investments of Italian Banking Foundations with a view to monitoring the integration of sustainability in their investment policies and asset management.

## 1.2. ITALIAN BANKING FOUNDATIONS

Banking Foundations were established in Italy subsequent to the privatization of publicly-owned banks that started in 1990 under the Amato-Carli Act (Act 218/1990). These Foundations are **nonprofit, private, independent entities that pursue social utility purposes and the promotion of economic development**.

Subject to these high-level purposes, which are the same for all of the Foundations pursuant to their governing law (legislative decree 153 dated May 17, 1999), each Foundation sets out its own specific mission in its articles of incorporation and regulations<sup>2</sup>.

In Italy, Banking Foundations play a fundamental role in areas such as social and healthcare services, social inclusion and innovation, conservation, promotion and enhancement of the artistic and cultural heritage.

The Banking Foundations operate in four areas:

- asset management;
- direct and indirect (through third parties) funding;
- direct performance of activities in the social sphere;
- direction and control of operating enterprises.

The Foundations derive **from asset management the earnings required for performing philanthropic activities**. **Sustainability** is by definition inherent in their core activity; recently, however, there has been an increasing awareness of the importance of integrating it also in **asset management** so as to ensure greater consistency among their different functions and avoiding to “press on the gas pedal and on the brake at the same time”<sup>3</sup>.

Evidence of the Foundations’ consciousness of sustainable and responsible investments are the so-called “**mission-related investments**”, i.e. all those investments that, to varying degrees, enable Foundations to pursue their core purposes and have a multiplier effect in the areas in which they deploy their actions by channeling to these areas both investments and the revenues from the same<sup>4</sup> (see §3.3.). Acri has been monitoring the evolution of this activity since 2009: while recent years (from 2013 to 2018) did not record a significant growth, from 2009 to 2018 the assets invested based on these criteria have increased (+€1,2 billion, totaling over €4,4 billion in 2018)<sup>5</sup>.

Reference to integration of sustainability in asset management is also to be found in the Foundations’ self-regulation codes. Indeed, item 1.10 of **the Charter of Foundations**<sup>6</sup> highlights that “when deciding how to use their assets, those investments that present connections with situations of violation of human rights and the rules meant to protect the environment and the historic, artistic and cultural heritage, are excluded, in line with the principles set forth by national and supra-national bodies”. A fundamental step in the self-regulation process was the Memorandum of Understanding (MoU) between Acri and the Ministry of Economy and Finance signed on April 22, 2015. Pursuant to the MoU, the Foundations that are members of Acri undertake to change their articles of incorporation based on the contents of the MoU, with an emphasis on the diversification of investments, transparency of funding and governance.

1. The findings of the survey (6<sup>th</sup>, 2020 edition) are available at the website of ItaSIF: <http://finanzasostenibile.it/tipo-attivita/ricerca/>

2. Forum per la Finanza Sostenibile 2016, *Integrare gli aspetti di sostenibilità nell’attività delle Fondazioni italiane*: <https://bit-ly/3bYKrTZ>

3. Acri 2019, *Ventiquattresimo rapporto sulle Fondazioni di origine bancaria – anno 2018*, p. 309: <https://bit-ly/2RqB8ma>

4. *Ibidem*.

5. Acri 2020, *Venticinquesimo rapporto sulle Fondazioni di origine bancaria – anno 2019*, p. 324: <https://bit-ly/3ib42lm>

6. The 2012 Charter of Foundations is the Foundations’ self-regulation “Code” that is voluntary and binding at the same time, even though, in fact, it applies solely to this compartment. With it, the Foundations have established a number of shared behavioral standards that aim to make their value system more organic and to organize a system of the most widespread best practices that they have implemented over time and that are recognized as being the most virtuous and effective ones. By stating the Charter’s principles, each Foundation has strengthened its responsible independence and helped enhance the sector’s identity compared to the other sectors in the reference system. (Source: <https://bit.ly/2FpiqsZ>)

### 1.3. SUSTAINABLE AND RESPONSIBLE INVESTMENT

“Sustainable and Responsible Investment” (SRI) means “a long-term investment strategy which, when assessing companies and institutions, **adds the environmental, social and governance (ESG) analysis to financial analysis**, so as to create value for the investor and society as a whole”<sup>7</sup>.

SRI can apply to all asset classes according to a variety of strategies, which may also be adopted at the same time for a given investment portfolio.

Set out below are the most widespread strategies in the Italian market.



#### Exclusions

Approach that requires outright exclusion of individual issuers, sectors or Countries from the investable universe, based on specified criteria and values. The most commonly used criteria include, among others, weapons, pornography, tobacco and animal testing.



#### Norms-based screening

Investment selection based on compliance with international rules and standards such as those defined by the OECD, the UN and its Agencies. Examples include the Global Compact, the OECD Guidelines on Multinationals and ILO Conventions.



#### Best in class

Approach that selects or weighs portfolio issuers based on environmental, social and governance criteria, favoring the best in a given universe, category or asset class.



#### Thematic investing

Approach that selects portfolio issuers based on environmental, social and governance criteria, focusing on one or more themes. Examples include: climate change; energy efficiency; health.



#### Engagement

Investors discuss with investee companies issues of sustainability and exercise of the voting rights linked to the stakes held in the companies' capital. This is a long-term process aimed to beneficially influence the behavior of investee companies and improve their transparency.



#### Impact investing

Investments in companies, organizations or funds in view of generating a measurable impact on the environment and society while producing a financial return for investors.

Source: [www.investiresponsabilmente.it](http://www.investiresponsabilmente.it)

7. As defined by Forum per la Finanza Sostenibile based on a process of consultation of its members and of the leading players of sustainable finance in Italy that resulted in the setting up of an ad hoc working group in 2013-2014.

## 2. Methodology

### 2.1. SURVEY SAMPLE

The sample includes 83 Banking Foundations<sup>8</sup> that are members of Acri, with a total AUM of approximately €44,2 billion<sup>9</sup>. Figure 1 shows the complete list.

FIGURE 1. List of the Banking Foundations included in the sample

Fondazione Agostino De Mari	Fondazione Cassa di Risparmio di Pistoia e Pescia
Fondazione Banca del Monte di Lombardia	Fondazione Cassa di Risparmio di Prato
Fondazione Banca del Monte di Lucca	Fondazione Cassa di Risparmio di Ravenna
Fondazione Banca del Monte di Rovigo	Fondazione Cassa di Risparmio di Rimini
Fondazione Banca del Monte e Cassa di Risparmio di Faenza	Fondazione Cassa di Risparmio di Saluzzo
Fondazione Banco di Napoli	Fondazione Cassa di Risparmio di San Miniato
Fondazione Carige	Fondazione Cassa di Risparmio di Savignano
Fondazione Cariparma	Fondazione Cassa di Risparmio di Spoleto
Fondazione Cariplo	Fondazione Cassa di Risparmio di Terni e Narni
Fondazione Carispezia	Fondazione Cassa di Risparmio di Tortona
Fondazione Carivit	Fondazione Cassa di Risparmio di Trento e Rovereto
Fondazione Cassa dei Risparmi di Forlì	Fondazione Cassa di Risparmio di Vercelli
Fondazione Cassa di Risparmio della Provincia dell'Aquila	Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona
Fondazione Cassa di Risparmio della Provincia di Macerata	Fondazione Cassa di Risparmio di Volterra
Fondazione Cassa di Risparmio di Alessandria	Fondazione Cassa di Risparmio e Banca del Monte di Lugo
Fondazione Cassa di Risparmio di Ascoli Piceno	Fondazione Cassa di Risparmio in Bologna
Fondazione Cassa di Risparmio di Asti	Fondazione Cassa di Risparmio Pietro Manodori
Fondazione Cassa di Risparmio di Biella	Fondazione Cassa di Risparmio Salernitana
Fondazione Cassa di Risparmio di Bolzano	Fondazione Cassamarca
Fondazione Cassa di Risparmio di Calabria e di Lucania	Fondazione Compagnia di San Paolo
Fondazione Cassa di Risparmio di Carpi	Fondazione CRC
Fondazione Cassa di Risparmio di Carrara	Fondazione CRT
Fondazione Cassa di Risparmio di Cento	Fondazione dei Monti Uniti di Foggia
Fondazione Cassa di Risparmio di Cesena	Fondazione del Monte di Bologna e Ravenna
Fondazione Cassa di Risparmio di Città di Castello	Fondazione di Modena
Fondazione Cassa di Risparmio di Civitavecchia	Fondazione di Piacenza e Vigevano
Fondazione Cassa di Risparmio di Fabriano e Cupramontana	Fondazione di Sardegna
Fondazione Cassa di Risparmio di Fano	Fondazione di Venezia
Fondazione Cassa di Risparmio di Fermo	Fondazione di Vignola
Fondazione Cassa di Risparmio di Firenze	Fondazione Estense
Fondazione Cassa di Risparmio di Foligno	Fondazione Friuli
Fondazione Cassa di Risparmio di Fossano	Fondazione Livorno
Fondazione Cassa di Risparmio di Gorizia	Fondazione Monte dei Paschi di Siena
Fondazione Cassa di Risparmio di Imola	Fondazione Monte di Pietà di Vicenza
Fondazione Cassa di Risparmio di Jesi	Fondazione Monteparma
Fondazione Cassa di Risparmio di Loreto	Fondazione Nazionale delle Comunicazioni
Fondazione Cassa di Risparmio di Lucca	Fondazione Pescaraabruzzo
Fondazione Cassa di Risparmio di Mirandola	Fondazione Puglia
Fondazione Cassa di Risparmio di Orvieto	Fondazione Sicilia
Fondazione Cassa di Risparmio di Padova e Rovigo	Fondazione Tercas
Fondazione Cassa di Risparmio di Perugia	Fondazione Varrone Cassa di Risparmio di Rieti
Fondazione Cassa di Risparmio di Pesaro	

Source: Acri

8. Italian Banking Foundations are a total of 86.

9. MondoInstitutional data as at December 31, 2019, total balance sheet assets.



## 2.2. QUESTIONNAIRE ADMINISTERED

The survey was conducted between March and July 2020. Acri-member Foundations received the link to the **online questionnaire**, which had been worked out on the SurveyHero platform.

The **themes analyzed** were as follows: reasons that led to sustainable investments; who is responsible for adopting sustainable investment strategies; sources of information on ESG themes; how frequently the Board of Directors assesses performances also from the viewpoint of investment sustainability; appointment of an ESG Advisor; sustainable investments coverage rate; SRI strategies implemented in the various asset classes; in-depth analysis of impact investing and mission-related investments; type of information disclosed on the criteria, strategies and achievements of the SRI policies adopted; documents showing such information; promotion of initiatives addressing stakeholders and media to inform them on the theme of sustainable investments.

Some sections of the questionnaire addressed all Foundations, regardless of whether they had adopted sustainable investment strategies, and related to asset management policies in terms of asset classes and financial instruments. Other sections, instead, delved into the specific theme of sustainable investments and therefore only addressed the Foundations that have declared the adoption of SRI strategies. The entities declaring that they do not integrate ESG themes in their investment policies were asked to give reasons for this and state the main criticalities/opportunities that they have identified.

# 3. Data analysis

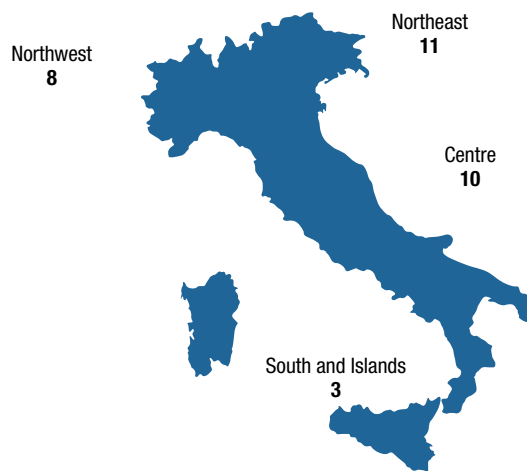
## 3.1. RESPONDENTS' PROFILE

**32 in 83 Foundations** responded to the questionnaire, with respondents accounting for **80% of total assets** (or approximately €35 billion). In terms of geographies, respondents were mostly located in Northeastern Italy (11 entities) and Central Italy (10 entities) – see Figure 2.

As emphasized earlier, the first part of the questionnaire investigated the asset classes and financial instruments used by Foundations, regardless of the adoption of SRI strategies: the **asset classes** in which respondents invest are equity (100% of cases), followed by corporate bonds, alternatives and government bonds (see Figure 3). As regards alternative investments, the Foundations invest mainly in private equity (22), real estate (21) and private debt (20).

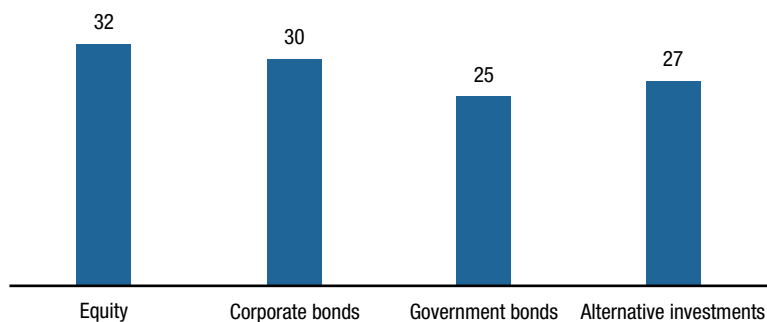
Having regard to the **financial instruments** used in the different asset classes, it turned out that Foundations use mainly investment funds and special-purpose vehicles (see Figure 4).

FIGURE 2. Breakdown of respondents by geography



Source: Forum per la Finanza Sostenibile

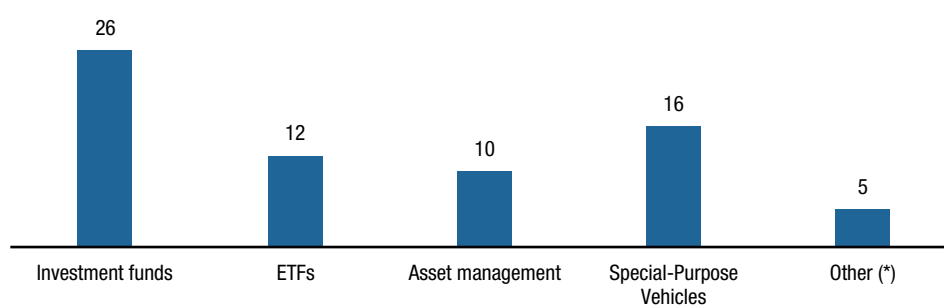
FIGURE 3. Asset classes in which the Foundations invest



Source: Forum per la Finanza Sostenibile<sup>10</sup>

10. Multiple-answer question.

FIGURE 4. Financial instruments used by Foundations



\* Other: equity stakes; outright purchases; internal management.

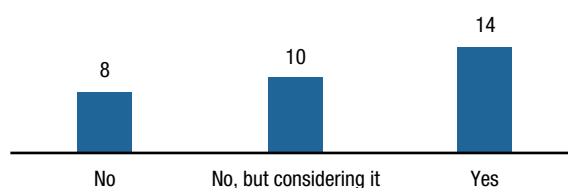
Source: Forum per la Finanza Sostenibile<sup>11</sup>

### 3.2. SUSTAINABLE INVESTMENTS: ASSET CLASSES, INSTRUMENTS AND STRATEGIES

Approximately half of the respondents, **14 in 32** (or 44%), reported that they make sustainable investments; most of these (6) is in Northwestern Italy. Out of the 14 Foundations that make SRIs, as many as **10 are large Foundations** (with an overall AUM of €27 billion, or **61% of total assets** of the Foundations in the sample), 3 are mid-to-large size and 1 is mid-to-small size.

18 in 32 Foundations instead do not apply any sustainable investment strategy, though 10 of these have started considering doing so: the latter are mainly mid-to-large size Foundations, with an AUM that accounts for 15% of total assets.

FIGURE 5. Adoption of sustainable investments



Source: Forum per la Finanza Sostenibile

#### Non-adoption of sustainable investments

Respondents that do not make sustainable investments were asked to give reasons for this: in 6 cases the theme has not yet been addressed, whereas **no entity reported that they do not adopt SRI strategies assuming that these are risky or complex.**

As regards the Foundations that are considering integrating ESG criteria in their investment policies, the main **criticalities** identified relate to: difficulties in measuring the environmental and social impacts generated and verifying compliance with sustainability criteria besides the lower profitability of SRI funds. To this point, many studies<sup>12</sup> instead found that sustainable investments show a better risk/return profile in the mid- to long-term.

**Opportunities** were found in elements such as: consistency of sustainable investments with the core purposes of

11. Multiple-answer question.

12. See, for example: Becchetti, Leonardo, Ciciretti, Rocco, Dalo, Ambrogio e Herzel, Stefano 2014 *Socially Responsible and Conventional Investment Funds: Performance Comparison and the Global Financial Crisis*, CEIS Università di Roma "Tor Vergata": <https://bit.ly/3iLMPiA>; Eccles, Rober G., Ioannou, Ioannis e Serafeim, George 2011, *The Impact of Corporate Sustainability on Organizational Processes and Performance*, Harvard Business School: <https://hbs.me/2iDqVzU>; Clark, Gordon, Finer, Andreas e Vieh, Michael 2015, *From the stockholder to the stakeholder, How Sustainability can drive financial outperformance*, University of Oxford, Arabesque Partners, Smith School of Enterprise and the Environment, March 2015: <https://bit.ly/2BJ2sEL>; Friede, Gunnar, Busch, Timo, e Bassen, Alexander 2015, "ESG and financial performance: aggregated evidence from more than 2000 empirical studies", *Journal of Sustainable Finance & Investment*, Vol. 5, n. 4, pp. 210-233: <https://bit.ly/2MJeIFm>

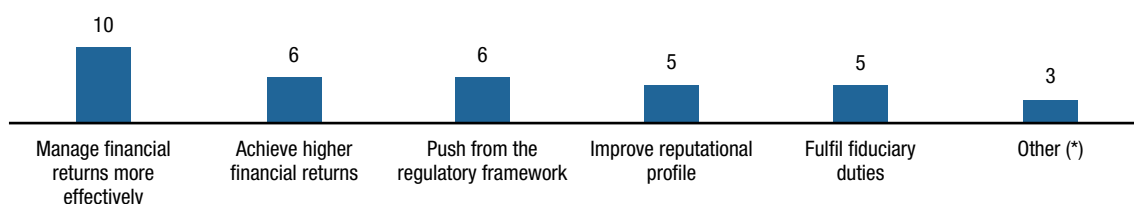
the Foundations, the long-term horizon of this type of investment and the beneficial social and environmental effects on the local community also with the same returns.

In addition, the Foundations that are considering adopting sustainable investment strategies were asked **when they foresee** to make the final decision; in 7 cases the process might be finalized by the end of 2020.

### Governance and sustainable investments

As regards the **reasons that underpin the choice to make sustainable investments**, most respondents reported a **more effective management of financial risks**. This is encouraging as it shows awareness of the relevance of ESG to asset management. Among the elements that pushed towards the adoption of SRI strategies are the reference **regulatory framework** (e.g. the European Commission Action Plan on financing sustainable growth) and achievement of **higher returns** – which further demonstrates that Foundations recognize the competitive advantage of sustainable investments.

FIGURE 6. Reasons for adopting sustainable investments

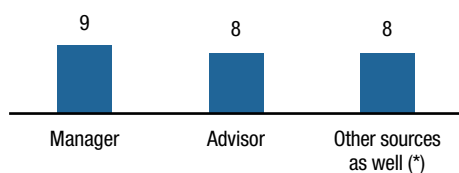


\* Other: in order to avoid inconsistencies between the investment strategy and the philanthropic mission; in order to support local businesses operating in the area of renewable energy sources; these instruments are selected on the basis of metrics other than those for sustainable investment.

Source: Forum per la Finanza Sostenibile<sup>13</sup>

In most cases (9 in 14) it was the **Board of Directors** that proposed to adopt sustainable investment strategies based on the ESG disclosure of managers and advisors as well as from other sources such as external providers, research and studies. The latter were made available by: public sources; specialized magazines/journals; newspapers; media; Acri; Cassa Depositi e Prestiti; reports; documents produced internally by the Foundation to provide information (see Figure 7). Besides, 5 Foundations that use SRI reported that their BoD assesses performances from the point of view of the sustainability of investments at least once a year; for other 7, instead, there is no pre-defined frequency (see Figure 8). Finally, only 4 Foundations retain an **independent ESG Advisor** for activities such as laying down the sustainable investment policy, portfolio monitoring and stock selection.

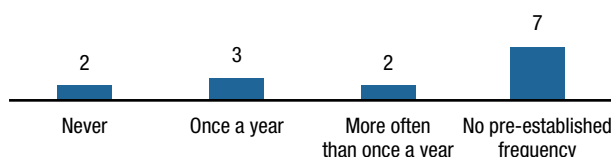
FIGURE 7. ESG sources of information



\* Other sources: external providers; research and studies; specialized magazines/journals; newspapers; media; Acri; CDP; reports and documents produced internally to provide information; third-party ESG scoring platforms.

Source: Forum per la Finanza Sostenibile<sup>14</sup>

FIGURE 8. Frequency of ESG assessments



Source: Forum per la Finanza Sostenibile

13. Multiple-answer question. Data refers to all the answers of the 14 Foundations that use SRI.

14. Multiple-answer question. Data refers to all the answers of the 14 Foundations that use SRI.

### Sustainable investments coverage rate and SRI strategies adopted

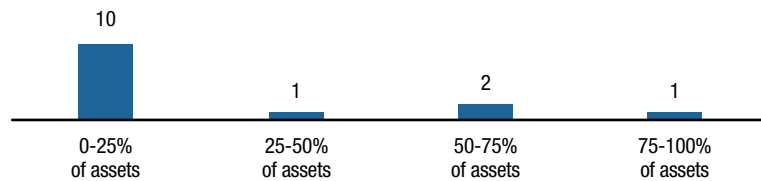
Sustainable investments only account for a **minority of the assets under management**: out of 14 Foundations that use SRI, 10 adopt SRI strategies to the extent of from 0 to 25% of total assets; **only one entity extends it to almost all investments** (see Figure 9).

Having regard to **asset classes**, the SRI strategies are applied mostly to alternative investments (in 13 cases), followed by equity and corporate bonds, but 3 Foundations integrate ESG criteria also in investments in government bonds (see Figure 10). As to the **financial instruments** that Foundations use in respect of sustainable investments, these are mainly investment funds and special-purpose vehicles (see Figure 11).

As to the **SRI strategies adopted**, it should first be pointed out that these are not mutually exclusive: in fact, multiple strategies can apply to a given investment portfolio. The most popular ones with Foundations are: **impact investing** (especially as regards social housing – for more information see §3.3.) and **exclusions**, followed by thematic investments, best in class and norms-based screening.

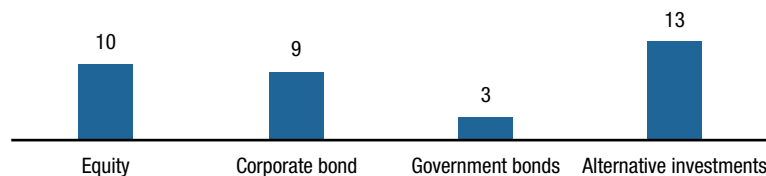
Conversely, **engagement and stewardship**, through which investors actively participate in investee companies, are underused (see Figure 12). Educational and information initiatives can be conducive towards adopting the strategy. In this regard, Forum per la Finanza Sostenibile organized a meeting with the Banking Foundations that are members of Acri on the integration of sustainability criteria in asset management and on starting engagement initiatives as part of a working group organized in 2020 by ItaSIF itself and Mefop on the Shareholders' Rights Directive. This Directive<sup>15</sup>, which was transposed in Italian law in June 2019, aims for greater activism of investors, requiring that they disclose – based on the comply or explain principle – their engagement policy, how they implement it and the related achievements. Even though the Directive addresses pension funds (contractual, open and pre-existing pension funds) – thus excluding Banking Foundations from its scope of application – it is evidence of a renewed interest in the theme of engagement as a tool to encourage a greater commitment of investors in investee companies and the adoption of a mid- to long-term time horizon.

FIGURE 9. Sustainable investments coverage ratio



Source: Forum per la Finanza Sostenibile<sup>16</sup>

FIGURE 10. Sustainable investments: asset classes the Foundations are invested in



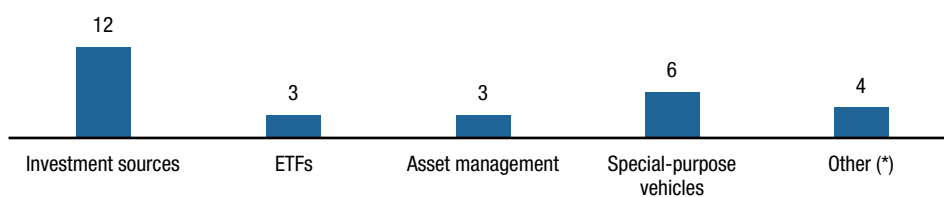
Source: Forum per la Finanza Sostenibile<sup>17</sup>

15. EU Directive 2017/828 Shareholders' Rights II (encouraging long-term engagement of shareholders).

16. Data refers to all the answers of the 14 Foundations that use SRI.

17. Multiple-answer question. Data refers to all the answers of the 14 Foundations that use SRI.

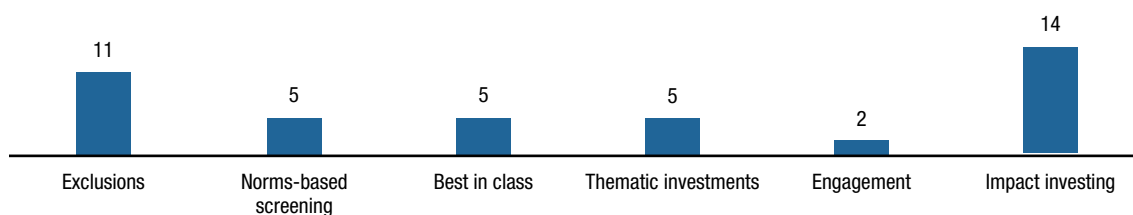
FIGURE 11. Sustainable investments: financial instruments used by the Foundations



\* Other: outright investments; internally managed with direct bond investments; direct investments in ESG- and UN SDGs-compliant companies.

Source: Forum per la Finanza Sostenibile<sup>18</sup>

FIGURE 12. SRI strategies adopted



Source: Forum per la Finanza Sostenibile<sup>19</sup>

### 3.3. IMPACT INVESTING AND MISSION-RELATED INVESTMENTS

As highlighted above (see §1.3.), **impact investing** is characterized by a willingness to generate a beneficial environmental and social impact alongside a financial return, **the measurement/assessment of achievements and reporting of the same**. The Foundations that adopt this strategy focus mainly on social housing (in 12 cases – see Figure 13).

Impact investing is in some regards similar to Mission-Related Investments (MRI) and enables Foundations to enhance the financial value of their assets so as to derive the resources to be used for funding and use them “directly as a tool to pursue their mission”<sup>20</sup>. Indeed, MRIs are “investments where the typical goal of adequate capital remuneration, within risk levels that are consistent with the nature of the institutional investor, combines with the purpose to support and promote businesses dedicated to achieving purposes of social utility and promotion of economic development”<sup>21</sup>.

The survey shows that the **14 Foundations that invest sustainably make MRI**. As said earlier, MRIs are in some regards similar to impact investing, but the latter also provides for the measurement or assessment of the impacts generated (with different goals and methodologies) and reporting of the same through dedicated reporting (impact reporting)<sup>22</sup>.

Among MRI sectors, the one that Foundations prefer is **social housing** (100% of cases – see Figure 14), followed by: venture capital, infrastructures, renewable energy sources and energy efficiency. As regards the areas of action related to their core activity, MRIs mostly focus on **local development** (100% of cases), social care and research (see Figure 15).

It should be pointed out that in some cases, Foundations invest based on the impact investing strategy and MRI using funding resources, which is evidence of a widespread hybrid philanthropy that can combine grants and investments for projects that can generate profitability.

18. Multiple-answer question. Data refers to all the answers of the 14 Foundations that use SRI.

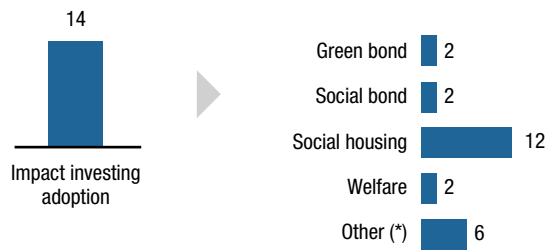
19. Multiple-answer question: indeed, the SRI strategies adopted are not mutually exclusive and multiple strategies can apply to a given investment portfolio. Data refers to all the answers of the 14 Foundations that use SRI.

20. Acri 2019, *Ventiquattresimo rapporto sulle Fondazioni di origine bancaria*, p. 308: <https://bit.ly/32yvDZe>

21. Acri 2015, *Ventunesimo rapporto sulle Fondazioni di origine bancaria*, p. 86: <https://bit.ly/3IVKBjz>

22. For more information see: Forum per la Finanza Sostenibile 2017, *Impact investing: la finanza a supporto dell’impatto socio-ambientale*: <https://bit.ly/33vSSIF>

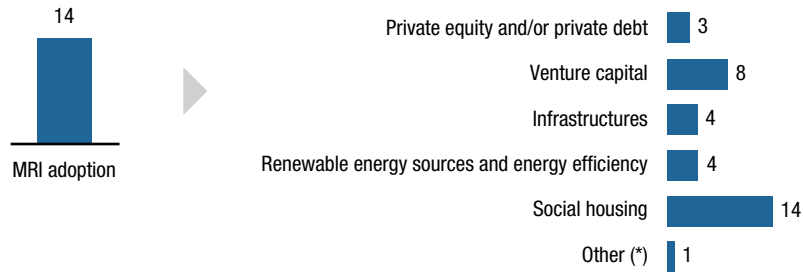
FIGURE 13. Impact investing areas/products



\* Other: microcredit; circular economy; climate; urban regeneration.

Source: Forum per la Finanza Sostenibile<sup>23</sup>

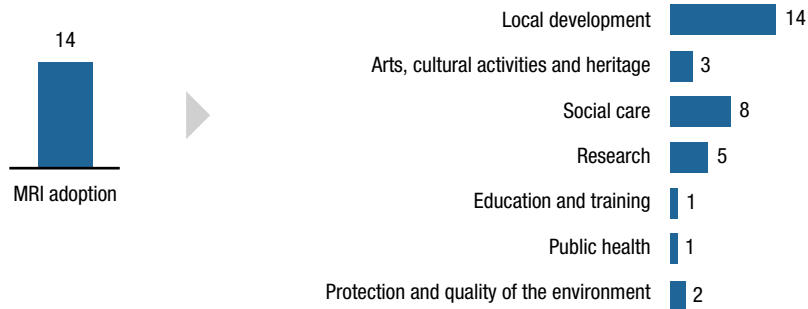
FIGURE 14. Sectors of Mission-Related Investments (MRIs)



\* Other: real estate.

Source: Forum per la Finanza Sostenibile<sup>24</sup>

FIGURE 15. MRI areas of action



Source: Forum per la Finanza Sostenibile<sup>25</sup>

23. Only the Foundations that adopt the impact investing strategy answered this question (see Figure 12). Multiple-answer question.

24. This question addressed only the 14 Foundations that had declared that they make mission-related investments and multiple answers were allowed. Data refers to all the answers of the 14 Foundations that use SRI.

25. This question addressed only the 14 Foundations that had declared that they make mission-related investments and multiple answers were allowed. Data refers to all the answers of the 14 Foundations that use SRI.

### 3.4. SUSTAINABLE INVESTMENTS DISCLOSURE

As regards the disclosure of information on investment-related sustainability themes, the questionnaire investigated three aspects: the type of information disclosed, the channels and documents used and the addressees of the information disclosed.

The findings show that **the Foundations are underactive in disclosing accurate information on sustainable investments**; the data available is high-level in 9 in 14 cases. Only 4 Foundations disclose detailed information on the sustainable investment strategies adopted in the various asset classes and report their AUM on the basis of ESG criteria.

**Stakeholders are the main target of disclosure** on sustainable investments (for 10 in 14 Foundations) and the most commonly used channels are **financial statements and the business plan**. In 2 cases no information is disclosed on the aspects related to the sustainability of investments.



## 4. Conclusions

Banking Foundations are, by their very nature, active in the sphere of sustainable development as their articles of incorporation require that they pursue purposes of social utility and local economic growth<sup>26</sup>. The local community is at the heart of the Foundations' action<sup>27</sup> which is fundamental in terms of social policies, welfare and, broadly, social and economic development.

The research shows that, even though some Foundations started to integrate sustainability in investments, in most cases **the adoption of SRI strategies** is still limited to a minority of the assets under management. The most widespread SRI strategies are exclusions and impact investing (the latter especially in social housing), which are adopted mainly for alternative investments. Conversely, engagement is still underused and could be encouraged through information and educational initiatives on this theme, involving also the Boards of Directors as this is the body that plays the most important role in deciding whether to adopt sustainable investment strategies.

The **European regulatory framework** could push institutional investors and therefore also banking institutions to adopt sustainable investments policy. Indeed, including recently, the EU has confirmed its environmental goals and the need to align the resources for the post-COVID-19 recovery to the need to decarbonize the European economy in view of reducing adverse impacts on climate and of a greater resilience to future crises.

As was the case with other particularly difficult situations, also **during the COVID-19 emergency the Banking Foundations collaborated and put together their resources to support their local communities**. In particular, a revolving guarantee fund was set up to support organizations in the Third Sector: this fund was initiated by the Executive Committee of Acri in March 2020, with an initial endowment of €5 million, which, thanks to the leverage effect, will enable to provide funding of up to €50 million<sup>28</sup>. In addition to this, several initiatives were taken locally by individual Foundations.

Therefore, the Foundations have played a crucial role during the health emergency in recent months and are one of the main resources on which the Country can count for the **economic recovery** which, in order to be effective and long-lasting, will have to **integrate social and environmental goals**. Sustainable finance stands as the instrument that can cater for all these multiple needs and channel available funds to those activities that respect the environment, generate social value and are profitable. Hence, a more widespread use of sustainable investment strategies can help enhance the incisiveness of the Foundations' actions for sustainable development.

**The different aspects of sustainability are strongly related** and, in Italy, the health crisis and the ensuing social and economic crises add to the urgency of reducing growing social and economic inequalities as well as unequal access to a healthy environment in terms of air, water and land quality. It is necessary to improve the quality of public services, including social and healthcare services and reverse the trend that has progressively cut investments in education and research. Unless the human capital lives up to the ambitions for the upcoming future (in terms of stimulating the economy and countering climate change) it will be difficult to support the population to achieve the aforementioned goals.

Hopefully, the study started this year can help raise awareness of the importance of sustainable investments, so that the Foundations can increasingly be the protagonists of a green and inclusive recovery, not only through their core activity but also through asset management.

26. Acri 2014, Acri 2019, *Diciannovesimo rapporto sulle Fondazioni di origine bancaria – Anno 2013*: <https://bit.ly/3c37Vaj>

27. Forum per la Finanza Sostenibile 2019, *The European Union and Sustainable Finance – Impacts and Outlook for the Italian market*, In-depth feature edited by Righetti Giorgio, Acri, p. 17: <https://bit.ly/3c89Qun>

28. Acri, *Comunicato stampa 18 marzo 2020*: <https://bit.ly/3hz1jlk>



The Italian Sustainable Investment Forum (ItaSIF) is a not for profit association founded in 2001.

Its membership base is multi-stakeholder: its members are financial actors and other organizations interested in the environmental and social impacts of financial activities. ItaSIF mission is to promote the awareness and the strategies linked to sustainable investments, with the aim to encourage the integration of environmental, social and governance criteria into financial products and processes.

ItaSIF activities are divided into three main areas: research, projects and advocacy.

Within these sectors ItaSIF:

- runs research and education activities and facilitates working groups to promote best practice and contribute to the analysis and growth of sustainable investments;
- informs and advises the financial community, the media and society as a whole, on sustainable finance through the organisation of communication campaigns, conferences, seminars and cultural events;
- engages with Italian and European institutions to encourage the implementation of a regulatory framework promoting sustainable investments.

Since 2012, ItaSIF has organized the Italian SRI Week, one of the leading initiatives in Italy on sustainable and responsible investment.

ItaSIF is a member of Eurosif, the association for the promotion of sustainable investment in the European market.

Established in 1912, Acri is the organisation which represents Foundations of banking origin and Savings Banks. Acri is a voluntary, apolitical, non-profit organisation which has to represent and protect the general interests of the members, to co-ordinate their Members' activities and to promote the implementation of joint projects in areas of common interest, in Italy and abroad.

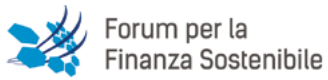
The Foundations of banking origin are private, non-profit, autonomous organizations and born in the early 1990s from the reform of the credit system. Today we have 86 Foundations in Italy, differing in provenance, size and activities. They intervene in different fields from welfare to art and culture, from innovation to sustainability, from primary education to scientific research. Their mission is to contribute in the sustainable and inclusive development of their communities and of the entire country. Since the year 2000 they have disbursed over 24 billion euros throughout more than 400 thousand projects and invested substantial resources to pursue the mission established by the Law: social utility and promotion of economic development.

Each Foundation of banking origin operates in its territory, generally, the province or region in which it is based. However, there are also many national or international initiatives, carried out with the coordination of Acri. Above all, the Fund against child educational poverty, which is the largest active intervention in Italy to respond to the phenomenon of child poverty. Launched on the initiative of the Foundations and realized in partnership with the Government and the Third sector, the total amount of resources allocated by the Foundations is of approximately 600 million euros in the 2016-2021 period. So far, it has favoured the launch of 355 projects throughout Italy, which have reached over 480,000 children and young people.

Website: [www.acri.it](http://www.acri.it)

Mondoinstitutional is a financial data provider dedicated to institutional investors. It essentially provides a constantly updated database of relevant information on the different categories of institutional investors, with search engines that allow to create reports for quick analysis and comparisons. Mondoinstitutional organizes every year several events dedicated to Pension Funds, "Casse di Previdenza", Banking Foundations, Family Offices and Insurance Companies.

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