The sustainable and responsible investment policies of Italian pension schemes

Seventh Edition – 2021
Abstract

Forum per la Finanza Sostenibile

The seventh edition

The 2021 edition of the survey of the sustainable and responsible investments of Italian pension schemes was conducted by the Italian Sustainable Investment Forum (ItaSIF) in collaboration with Mefop and MondoInstitutional. The survey aims to monitor the integration of ESG criteria in the investment choices of the leading Italian pension schemes.

The previous editions of the survey are available at the website of ItaSIF[1]. All editions were presented at the Sustainable and Responsible Investment Week (SRI Week)[2] promoted by ItaSIF and held every year in November.

The seventh edition methodology is consistent with the previous ones. The structure of the questionnaire remained virtually unaltered compared to the last two editions[3], except for the addition of an in-focus section that deep-dives into climate change (done in collaboration with WWF Italy).

Methodology: survey sample and questionnaire administered

The survey monitored the following categories of pension schemes:

- Private Pension Schemes;
- Open Pension Funds;
- Contractual Pension Funds;
- Pre-existing Pension Funds (established prior to the 1993 reform);
- Individual Pension Schemes.

As in the 2019 and 2020 editions, this year as well the sample surveyed comprised all of the Private Pension Schemes (22)[4] and all the Contractual Pension Funds (33). With regard to the Open Pension Funds, Pre-Existing Pension Funds and Individual Pension Schemes, the top 20 schemes of each category were selected based on the size of AUM. Compared to 2020, the change in the current sample concerns Open Pension Funds and Pre-Existing Pension Funds (where 3 schemes having been replaced).

Regarding Open Pension Funds and Individual Pension Schemes, since any given company can set up multiple pension schemes, in some cases the same respondent was asked to fill out multiple questionnaires in respect of the products included in the reference sample[5]. Overall, **a total of 115[6] schemes were included in the sample, accounting for a total AUM of €257,629 million**[7]. Finally, in some of the products analyzed, the integration of Environmental, Social and Governance (ESG) criteria in investment decisions is the consequence of group-wide policies and not a specific investment choice.

The survey was conducted between March and July 2021 through an **online questionnaire** created on the SurveyHero platform. The questionnaire structure varied based on the sustainable investments policy adopted, i.e.: Pension Fund Investors that have not integrated ESG criteria in their investment policies were asked to give reasons for this choice, whereas the Funds that started considering such integration were asked to specify the main criticalities/ opportunities identified and the expected decision-making time horizon. Instead, respondents that had already made sustainable investments were given a questionnaire comprised of three sections, with 19 closed questions and 19 deep-dive questions. **The themes analyzed** were as follows:

1. The 2015 edition is available at: http://bit.ly/2xvt7lf; the 2016 edition is available at: http://bit.ly/2y2obHr; the 2017 edition is available at: https://bit.ly/2mFcMpH; the 2018 edition is available at: https://bit.ly/2jV33xr; the 2019 edition is available at: https://bit.ly/30e6pNm; the 2020 edition is available at: https://bit.ly/2UzB5d5

2. www.settimanasri.it

3. The structure of the questionnaire was changed in 2019 to extend its scope and include suggestions received from the participants to the previous editions. For this reason, the full report shows only a comparison with the 2019 and 2020 editions.

4. The sample includes all of the Private Pension Schemes except Fondazione Onaosi (Opera nazionale assistenza orfani sanitari italiani – Italian nonprofit organization providing support to the orphans of healthcare professionals), which we decided to exclude from the analysis due to its being mainly an aid agency.

5. Allianz, AXA, Cattolica Assicurazioni, Intesa Sanpaolo Vita, Zurich and UnipolSai Assicurazioni.

6. Starting in the 2019 edition, the sample comprises 115 schemes. Instead, the sample of the first 4 editions of the survey (2015-2018) comprised 50 schemes (the top 10 by size of the AUM of each of the 5 categories).

7. As of December 31, 2020 for all categories.

1. Governance

reasons for integrating ESG criteria in investment choices; process followed by the Board of Directors (BoD) when establishing investment policies; quality/completeness of information sources; how frequently the BoD assesses performances, also from the point of view of sustainability; sustainability targets set, if any, in remuneration policies; ESG advisor retained, if any;

2. Investment policy

SRI policy coverage rate; SRI policy themes, fundamental principles and goals; SRI strategies implemented in the various asset classes and deep-dive on impact investments;

3. Transparency

type of information provided on criteria, strategies and achievements of the SRI policies adopted.

In addition, in the investment policy section, a **focus was added on climate change**[8] (worked out in collaboration with WWF Italy). The following aspects were investigated in this section: measurement of the carbon footprint and related use of findings (a theme already present in the last two editions of the survey); integration of climate change in investment policies, in line with the Paris Agreement; renewable energies investment goals, if any; how investments are made in renewable energies; goals, if any, to divest from fossil fuels.

Findings of the survey

Pension fund investors are increasingly inclined toward integrating ESG criteria in their investment choices. Indeed, the seventh edition of the survey found **a further increase in the number of schemes that make sustainable investments** (up from 53 to 55). The survey confirmed that the categories that are most focused on sustainability aspects are **Open Pension Funds and Private Pension Schemes**. Within the category of Private Pension Schemes, the entities that adopt SRI strategies increased from 0 in the first edition of the survey in 2015 to 5 in 2019, totaling 11 in 2021.

The AUM of the schemes that are active in terms of SRI total approximately €141,325 million, or **68% of the aggregate AUM of respondents**. Besides, most of the schemes that still have not integrated ESG criteria in their investment policies, already started considering such integration (88% or 29 in 33) and, in 17 cases, the evaluation process might end within one year.

The adoption of SRI strategies is mainly due to a **growing awareness of the financial relevance** of sustainability: indeed, respondents mentioned a more effective management of financial risks and the possibility to combine social and environmental impacts with appropriate financial returns (in 36 and 33 cases respectively).

Over half of the schemes that are active in terms of SRI (53%) extended sustainable investments to almost all assets under management (75% to 100%). These were mostly Individual Pension Schemes,

Pre-Existing Pension Funds and Contractual Pension Funds, up from 25 in 2020 to 29 in 2021 and still growing. The progressive increase in the proportion of assets invested according to ESG criteria witnesses to the efforts made by pension fund investors in integrating the principles of sustainability, including in more complex asset classes such as private market investments. ESG is increasingly viewed as an investment approach that applies across all assets.

The survey confirmed that **exclusions and best in class** are the most widely used SRI strategies by pension fund investors; the 2021 edition also found a growing interest in **engagement** and proxy voting (without a doubt encouraged by the transposition of the Shareholders Rights II Directive).

Likewise, **disclosure of information on investment-related sustainability themes** remains crucial for pension funds (in line with IORP II and the Sustainable Finance Disclosure Regulation - SFDR)[9].

Fast-paced development of the European regulatory framework that governs sustainable investments can further speed up the spreading of SRI strategies. In light of this and the increased investors' focus on these themes, the next editions of the survey will report even more encouraging findings on the integration of ESG criteria in investment policies.

8. The questions form part of a survey conducted by WWF in the European market of asset owners: the (aggregate and anonymized) data will be analyzed and compared internationally and will be included in a WWF report.

9. EU Regulation 2019/2088 (SFDR) on sustainability disclosure in the financial services sector was introduced in November 2019 and the first obligations entered into effect in March 10, 2021.

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