

ESG nelle decisioni di investimento

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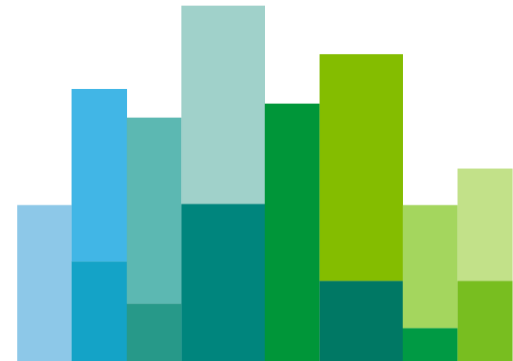
23 Aprile 2024

 Academy

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CORPORATE SERVICES

 ASSONEXT

Agenda



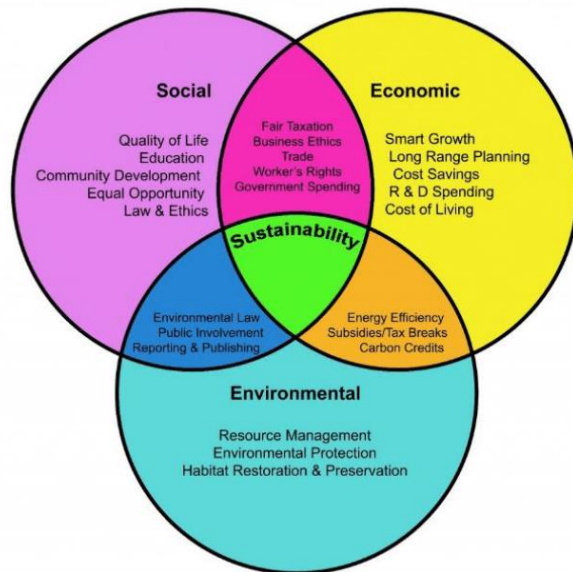
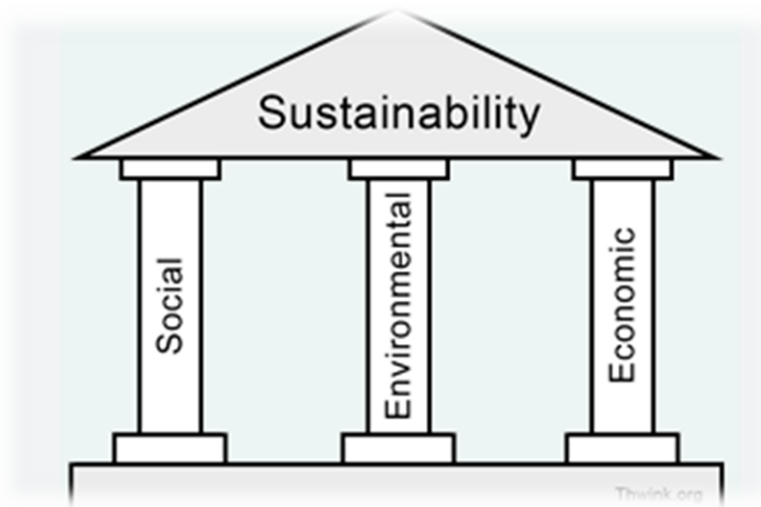
AGENDA

- 1. Sustainability definition**
- 2. ESG Investing**
- 3. ESG in Financial Markets**
- 4. The Evolution of Capitalism**
- 5. Stakeholders' Sustainability**
- 6. Sustainability as an Intangible Assets**
- 7. The Value of Human Capital**
- 8. Young Generation: tomorrow's talents, customers and investors**
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SUSTAINABILITY

Definition

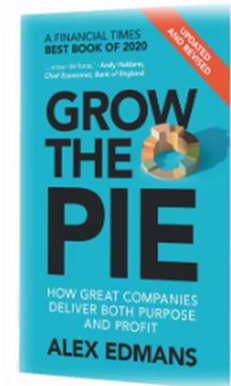
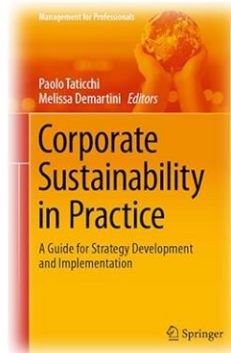
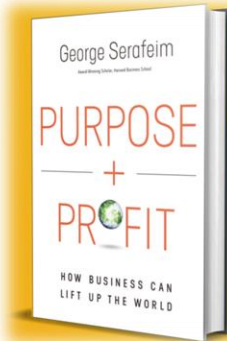
- **Sustainability:** the quality to 1) be able to continue for a **long time**, 2) cause little or **no negative externalities**.



ESG INVESTING

Concept

- **ESG Investment** involves considering environmental, social and governance (ESG) issues when making investment decisions and engaging companies (known as active ownership or stewardship). It integrates traditional financial analysis and portfolio construction techniques.
- A definition of ESG is **dynamic, context-related**, and responsive to the need of **multiple stakeholders**.
- **Purpose** is critical in an organization. **Trust** is at the core of sustainability. **Culture** is such a powerful force in business organizations. The final link in the chain is about **communication**.



ESG INVESTING

Redundant

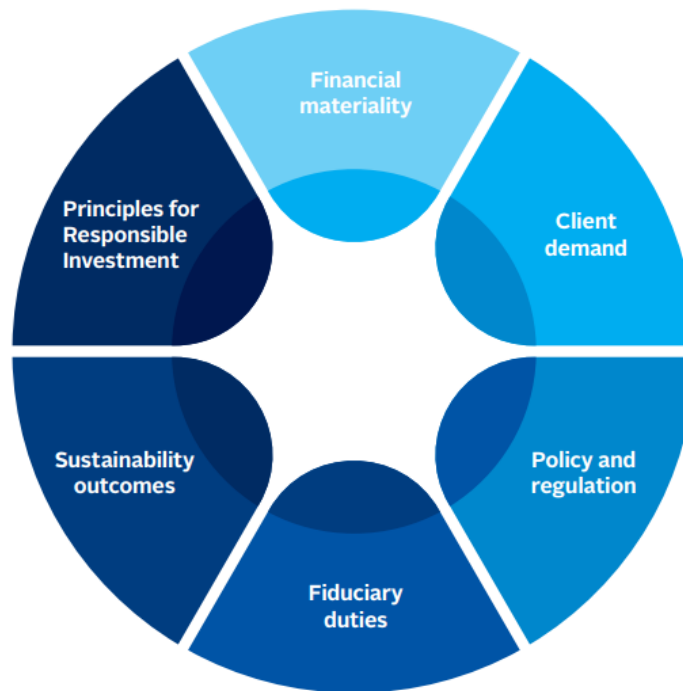
- **There is not such as a thing as ESG investing.** It is simply investing!
- ESG is no different to other **intangible assets** that create long-term financial and social value.
- Sustainability is not only a vehicle to **reduce risks** but also a means to generate **new forms of value** and **competitive advantage**.
- Sustainable organizations need to **resist short-termism**.
- **Enterprise** should consider ESG as an **investment**, not as a cost.



FINANCIAL MARKETS

Investors' Point of View

- Relationship between ESG issues and **financial performance**,
- Asset owners **demand** to align their investments with their values,
- Increasing ESG **regulations and policies** relating to ESG issues and disclosures,
- Investors' **fiduciary duties** require them to consider all factors that are relevant to investment returns, including ESG issues,
- All investment activities result in positive and negative **sustainability outcomes** to people and the planet.



CAPITALISM

Evolution

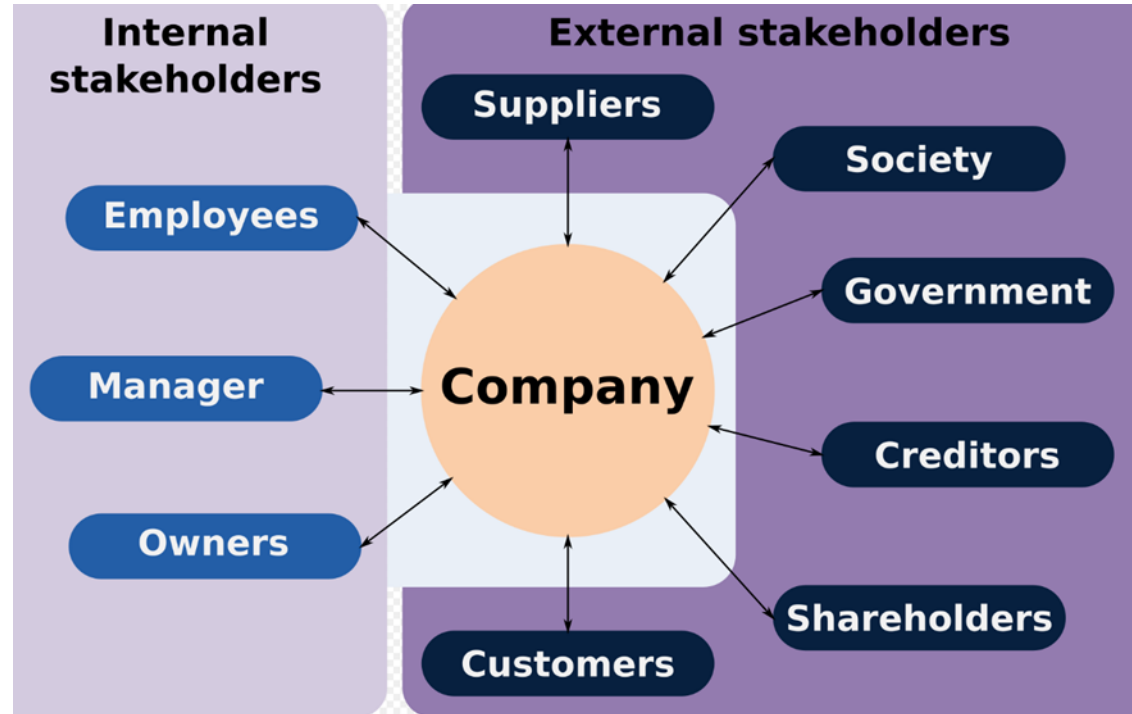
| Types of Capitalism | State Capitalism | Shareholder Capitalism | Stakeholder Capitalism |
|---------------------------|---|---|---|
| Key Stakeholder | Government | Company Shareholders | All stakeholders matter equally |
| Key Characteristic | Government steers the economy, can intervene where necessary | The social responsibility of business is to increase its profits | Society's goal is increase the well-being of people and the planet |
| Implication for Companies | Business interests are subsidiary to state interests | Short-term profit maximization as highest good | Focus on long-term value creation and ESG measures |
| Advocated by | | Milton Friedman ('70) «Shareholder Theory» | Klaus Schwab ('71) «Davos Manifesto» ('73) |

Visualisation by Peter Vanham, World Economic Forum, based on «Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet»

STAKEHOLDERS' SUSTAINABILITY

Leaders' Point of View

- Define your **purpose**.
- Embed **sustainability** into your strategy and culture.
- Identify, prioritize and satisfy your **stakeholders**.
- Be **fair**, not equal.
- **Maximise stakeholders'** (social / shared) **value**.
- **Profit** is just an outcome, but crucial to finance any company.

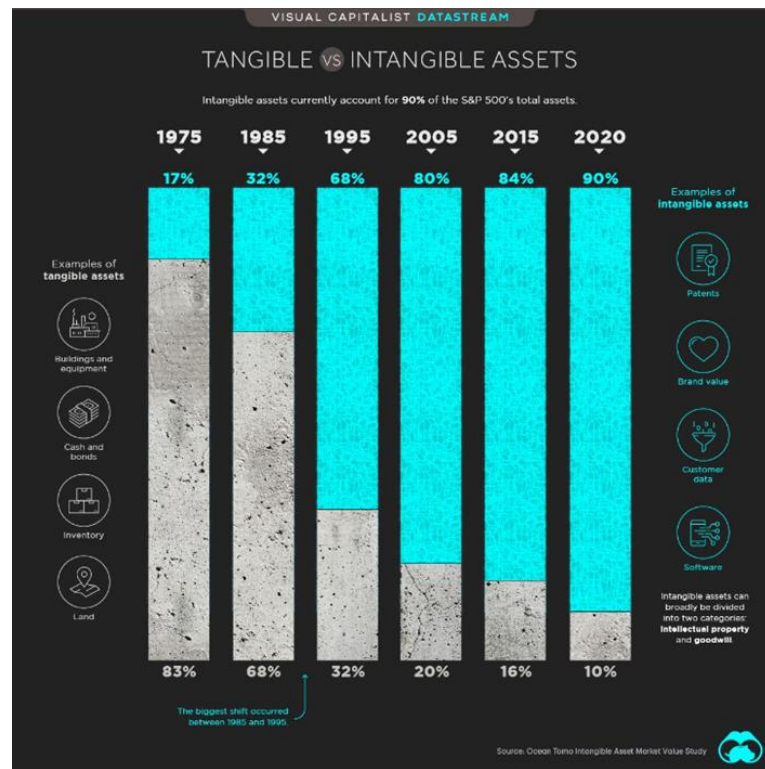


Source: Wikipedia

INTAGIBLE ASSETS

Sustainability as an Intangible Asset

- **Sustainability is an intangible asset**, a crucial driver of the value of a company. Like any other investment in intangible assets (e.g., R&D), its results are **uncertain and distant in time**.
- Unfortunately, most investors are very sensitive to short-term returns.
- Intangible assets now make up **over 70% of a company's stock price**.
- Intangible assets - such as management quality, corporate culture, and innovative capability - drive **long-term value** and create **positive externalities for wider society**.



HUMAN CAPITAL

Attract & retaining talents

- **Employees are the most important asset** in many modern firms.
- Prioritizing short-term profit can discourage investments in **intangible assets** that **drive long-term returns**, such as marketing, human capital and innovation.
- **Younger generation** tend to be more active around societal causes, and social media amplifies their influence like never before



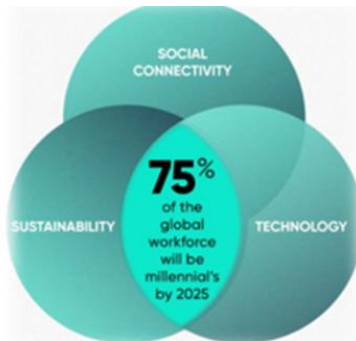
Source: Managementguru

YOUNG GENERATIONS

Attract & retaining talents



The Deloitte Global Millennial Survey 2019



How to Attract and Retain Talent

- Increase presence and visibility
- Become human-centric
- Drive cultural change
- Seek talent diversity



- Automate tasks
- Augmented products

- Raise data literacy
- Reask/upskill
- Development path
- Team balance and employee visibility
- Internal marketplaces

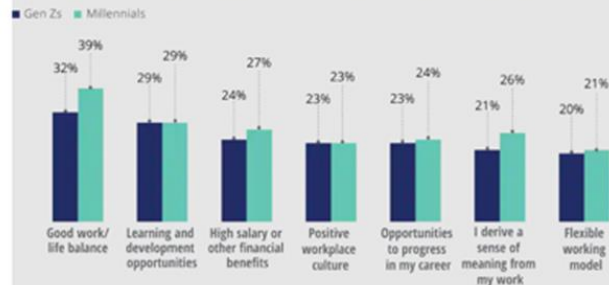
gartner.com

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Gartner

McKinsey&Company

Top reasons respondents chose to work for their current organization



Source: 2022 Deloitte Global Gen Z and Millennial Survey.

Great leaders



Inspirational, supportive, empowering; focused on development

Great company



Reputation, values, culture, business results, and contributions to society

Great job



Interesting, opportunities for growth and advancement, with impact and meaning

Great rewards



Wages, benefits, and perks; nonfinancial forms of recognition

YOUNG GENERATIONS

Future costumers & investors



USD 30 trillion

wealth transfer from baby boomers to 75 million millennials to take place over the next few decades.¹

88%

of high-net worth millennials are actively reviewing the ESG impact of their investment holdings.²

89%

of millennials expect their financial professional to do a deep dive into a company's ESG factors and history with ESG issues before recommending an investment opportunity.³



2X

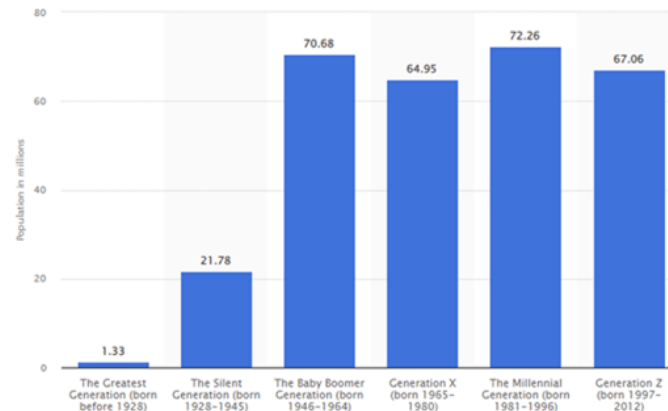
of millennial investors have intentionally stopped investing or declined to invest in a company because of the impact that company's products or services have on people's health and well being.⁴

95%

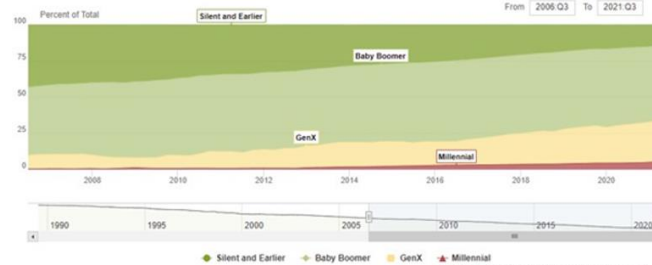
of millennial investors were interested in sustainable investing as of 2019 up 9 percentage points from 2017.⁵

85%

of individual investors were interested in sustainable investing as of 2019 up 10 percentage points from 2017.⁶

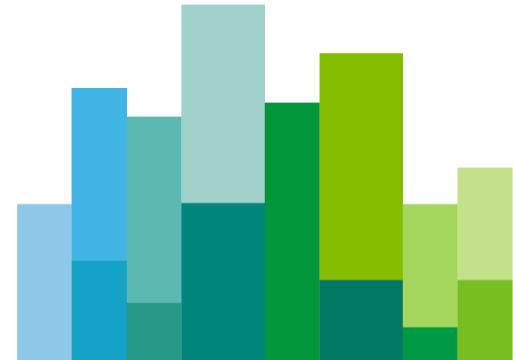


Wealth by generation



¹ Accenture. *The "Greater" Wealth Transfer – Capitalizing on the Intergenerational Shift in Wealth*, 2012: <https://www.accenture.com/us-en/insight-capitalizing-intergenerational-shift-wealth-capital-markets-summary>; ² Bank of America. *2018 Insights on Wealth and Worth*; ³ Allianz ESG Investor Sentiment Study 2019; ⁴ Allianz ESG Investor Sentiment Study 2019; ⁵ Morgan Stanley Institute for Sustainable Investing: *Sustainable Signals -- The Individual Investor Perspective (2019)*; ⁶ Morgan Stanley Institute for Sustainable Investing: *Sustainable Signals -- The Individual Investor Perspective (2019)*

Risk, Opportunities, Financial Impacts



RISKS & OPPORTUNITIES

Climate

Climate-Related Risks, Opportunities, and Financial Impact



Source: Taskforce on Climate-related Financial Disclosures

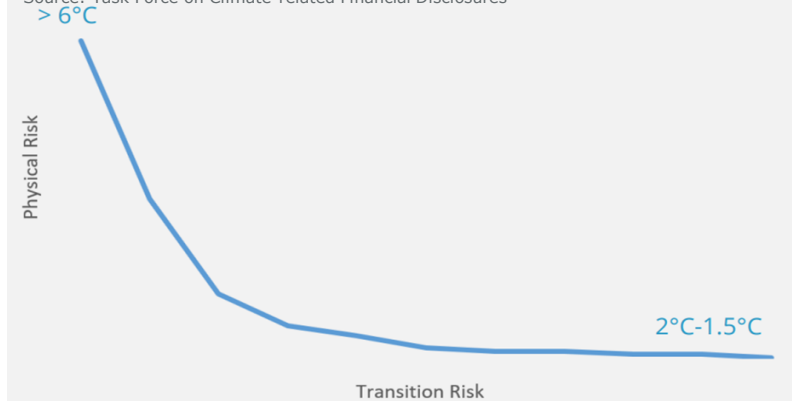
FINANCIAL COSTS

Climate

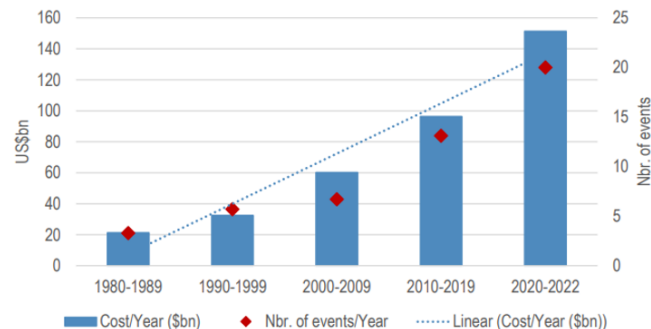
- The concepts of **mitigation** and **adaptation** are intrinsically linked to “physical” and “transition risks” (TCFD 2017, pp5,6).
- While mitigation can create **transition risks**, i.e., potential costs of decarbonization to society, the less mitigation the higher the incidence of **physical risk** and the higher the costs of adaptation.

Transition-Physical Risk Conceptual Trade-Offs

Source: Task Force on Climate-related Financial Disclosures



Annual cost of billion-dollar disaster events in the US by decade and over the past three years (US\$bn)

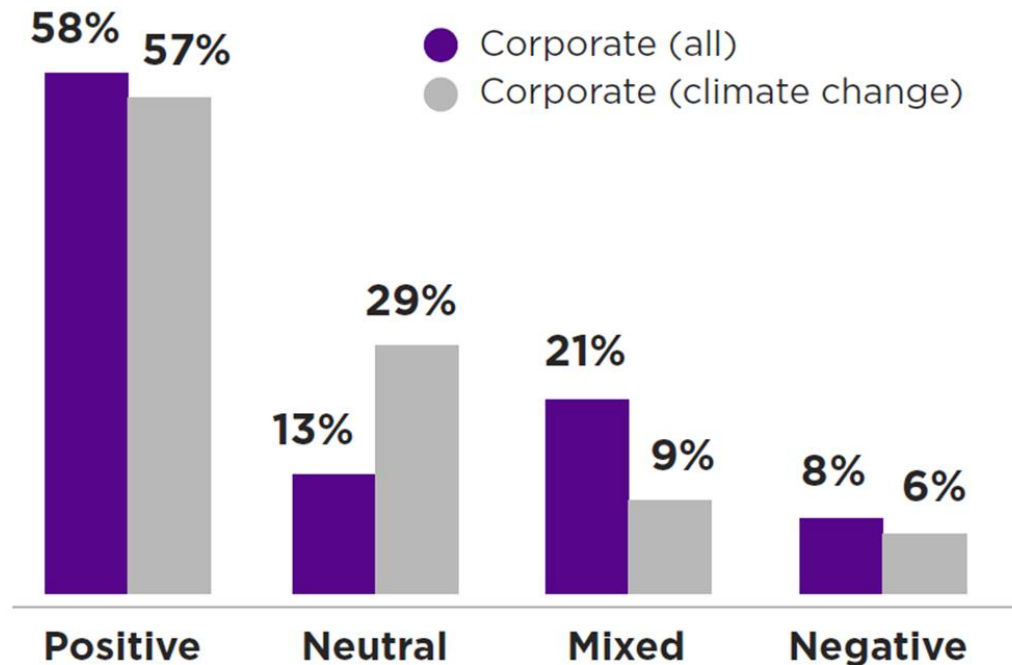


Source: J.P. Morgan based on [NOAA](#)

FINANCIAL RESULTS

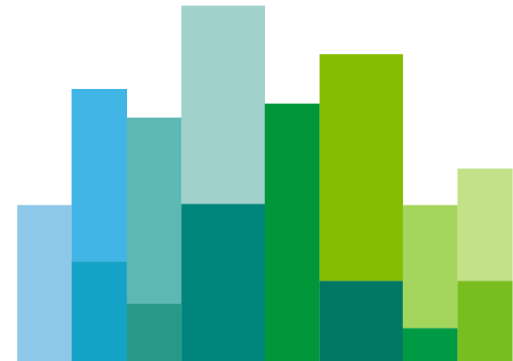
NYU meta-study

- **Sustainability initiatives** at corporations appear to drive **better financial performance** due to mediating factors such as improved risk management and more innovation.
- Improved financial performance due to ESG becomes **more marked over longer time horizons**.



Source: NYU Stern Center for Sustainable Business (2021)

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