

MONDAY 07 October 2019	<b>SUSTAINABILITY FOCUS</b>
IL GIORNO il Resto del Carlino LA NAZIONE	INVESTING IN A RESPONSIBLE ECONOMY

## ESG performance and rating

### “Bonds from sustainable companies offer higher returns”

**A Banor Sim research project demonstrated that bonds offer higher returns if they are issued by sustainable companies. Or, indeed, if the issuers register a high score in so-called ESG indicators**

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**BONDS** yield higher returns if they are issued by sustainable companies, even better if the issuers register a high score in so-called ESG indicators—ESG being the acronym which indicates assets linked with responsible investments from an environmental, but not only, point of view. In simple terms, this is the conclusion reached by the research project that Banor Sim conducted with the Politecnico di Milano School of Management entitled “The relationship between ESG ratings and the yield spread of bonds on the European markets”. Since 2005, BANOR SIM, a company founded in 1989 as a private banking vehicle for a group of banks in northern Italy, which was taken over in 2000 by a group of private investors and managers led by Massimiliano Cagliero, has gone beyond the classical analysis of investments. And so it did not limit itself to assessing a company’s economic accounts, but also looked at the impact of the company’s choices.

**OVER THE LAST TWO YEARS**, however, Banor Sim has decided to dig deeper into the issue through empirical research by developing studies with the Politecnico di Milano School of Management, with the help of professor Giancarlo Giudici. Whereas last year’s research was concentrated on the relationship between the return on equities and ESG indicators, this year, attention was focused on bonds, given that the majority of assets owned by Italians are precisely this type of investment. However, the choice required some further assessments because, in this area, data is in general less accessible than it is for shares.

**IN ANY CASE**, the methodology chosen by professor Giudici and his team took into account securities that are present in the Spdr Bloomberg Barclays Eu High Yield Bd Ucits Etf and in the Spdr Bloomberg Barclays Euro Corp Bond Ucits Etf, excluding all the vehicle companies, leaving 536 bonds issued by 146 companies. In essence, the analysis led to two conclusions. The first is that, in the



**THE BANOR SIM  
RESEARCH PROJECT**

**Massimiliano Cagliero,  
CEO Banor SIM**

2014-2018 period, there was a correlation between the return on bonds and ESG ratings such that the securities with a high ESG rating had the best performance.

**NOTWITHSTANDING THE FACT THAT** the main factors determining return are still the intrinsic characteristics of the bonds, for equal characteristics, issuers with a high ESG rating performed better and could therefore command a lower spread on the market. However, the research project also established that, for bonds, the market is particularly sensitive to the governance dimension, with environmental and social components, on the other hand, being of secondary importance.

**THE REASON** can be found in the investor's time horizon. The maturity of a bond ranges from 3 to 7 years and, for such a period, the bond manager considers the impact of the governance component on the company's performance to be much more important than the other components, which are more significant for the equity investor, who is interested in a longer investment return period.