

“Ethical finance is not a trend, but a radical change”

Interview with Massimo Cagliero, founder and CEO of Banor, an international asset management company that has always applied the principles of sustainable investments in its everyday work



MASSIMILIANO CAGLIERO, FOUNDER AND CEO OF BANOR SIM

It is not a passing trend, but a momentous change of vision and mentality. The world of finance and investment has understood that the value of sustainability must increasingly inspire all salient choices". Massimo Cagliero is convinced of this. He is the founder and CEO of Banor, an asset management company that has always chosen its investments according to ethical financial criteria, which today seem to have captivated practically everyone.

Doctor Cagliero, don't you discern a bit of opportunism in this wide-spread conversion? For example, considering the Business Roundtable declaration, isn't it anachronistic?

Of course there is also a certain degree of hypocrisy and opportunism, and I agree that, in this sense, the declaration made in August is, if nothing else, much overdue, but whether you believe in it or accept this tendency to be opportunistic does not really matter. The phenomenon exists and it constitutes progress.

Green bonds, bond loans aimed at raising capital for sustainable investments have become well-established. How do you rate them?

It is a boom that I can understand because these issues pay a lower debt cost than the market standard. Last July, A2A issued a ten-year bond at 1%, when the BTP was at 1.47%. Let us not hide the fact, though, that there are also some problems to take into consideration. A green bond must be issued as such for a purpose that is actually linked with the values of sustainability, and therefore it must not be confused with the rest of a company's debt. And for the moment, in Italy, we still lack a third-party entity that certifies the green credentials of a bond. There have already been green bonds that lack coherent objectives.

But at Banor, you have always believed in ethical and sustainable finance...

Always. This is a specialisation that we very much believe in. The market is really evolving and opening up to these values. As we speak, we are taking on a very significant institutional capital management mandate with the specification that over 75% must be directed to ESG investments (environmental, social and governance; editor's note) in other words, assets that respect the environment, social sustainability and good governance criteria. In this case, a third party will assess the propriety of our choices. And even in the case of religious finance, where we do a lot of work, a third party assesses the consistency of our choices with the specifications stated. The market has now really acquired this sensitivity, and whenever it is lacking, it is imposed by investors. An American asset manager has coined a socio-economic index, calling it the Pitchfork index, which estimates the time it will take before people take to the streets with pitchforks to protest against the huge social divide in which we live.

Really?

The tragedy is that trust in the efficiency of social mobility has dwindled a little all over the world... that phenomenon whereby even a poor or marginalised person can achieve self-redemption and aspire to affluence and progress. I do not wish to be too sceptical, but it seems unlikely to me that the generations in the seats of power today should be able to express anything genuinely innovative in relation to this problem. It is no coincidence that the Pope invited young economists, under 35, to Assisi 2020 to discuss the new development model. When the Pope talks about social ecology, in addition to environmental ecology, he wants to stimulate the search for new forms of commitment in society, according to Catholic principles. This is also the orientation we follow at Banor

Can we therefore start to talk about an “asset class for the common good”?

Yes, bearing in mind, of course, that we then need to discuss what is and what is not part of ESG. In this respect, there is controversial and even divisive territory. But that is the main direction.

How is Banor doing with this strategy?

We are satisfied because we are growing a lot and in a healthy way, which we like. We are a company that is working successfully in private banking, despite the strong consolidation that has distinguished the sector. We have opened an office in Bolzano, another one in Monte Carlo, following the original office in London and the other office in Luxembourg. We have over 8 billion euro worth of assets and a total of 130 associates in Europe, including employees and private bankers. We are inspired in our management style by the value method, as conceived by Warren Buffet. And we also have a good asset management practice through five SICAVs managed by Banor Capital. One of them, Banor Euro bond, managed by Francesco Castelli in London, is an ESG product which dedicates maximum attention to green bonds.