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Italian bank pension scheme forges ahead with ESG in 'difficult' environment

By Val Cipriani 13 July 2021

The €2.7bn (£2.3bn) Fondo Pensione Nazionale per il personale delle Banche di Credito Cooperativo Casse Rurali ed Artigiane is keen to apply environmental, social and governance criteria to its entire investment portfolio. However, general director Sergio Carfizzi tells MandateWire ESG integration can be challenging due to the fact that many asset managers and investors in Italy are still at the beginning of their sustainability journey.

After focusing its ESG efforts on the alternative investment portfolio, Fondo BCC is gradually incorporating sustainability into its listed investments, starting with exclusion policies and the introduction of minimum ESG standards for its investment selection process.

Carfizzi says that while the scheme has been operating in the responsible investment arena for a number of years, it has been a bit of a "pioneer" in Italy where progress on ESG matters "is not easy".

"The most alarming aspect is that not all partners we deal with, both on the liquid and illiquid side, align with sustainability criteria. They are on a journey, which for some of them has only started a few months ago," he says.

Work in progress

Compared with asset owners in many other European countries, Italian institutional investors have been cautious in their approach to ESG themes. However, the first months of 2021 have accelerated change as deadlines to implement the EU's Institutions for Occupational Retirement Provisions II directive have forced Italian pension funds to confront the issue.

For example, Italian pension funds must publish their engagement strategies and include a dedicated section on sustainability in their information notes to members.

The €1.5bn Fondo Pensioni del Gruppo Banco Popolare, the €2.7bn Fondenergia and the circa €5bn Fondo Pensione Unicredit are among pension schemes that have recently shared plans to integrate ESG criteria into their investment decision-making processes or their efforts to make sustainable investments.

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"The most important thing is that all of us try and move forward together — us as investors, the managers, and our counterparts in the uncorrelated [investment] space," Carfizzi says.

However, turning theory into practice will be the hard part, he predicts, as investors "agreeing with something is not the same as achieving [a goal]".

“We will need new processes, which in turn will require investment and human resources. There is a lot of work to be done. [At Fondo BCC], we have been doing this for many years, others have just started, and I certainly believe that it will require a considerable amount of time,” Carfizzi says.

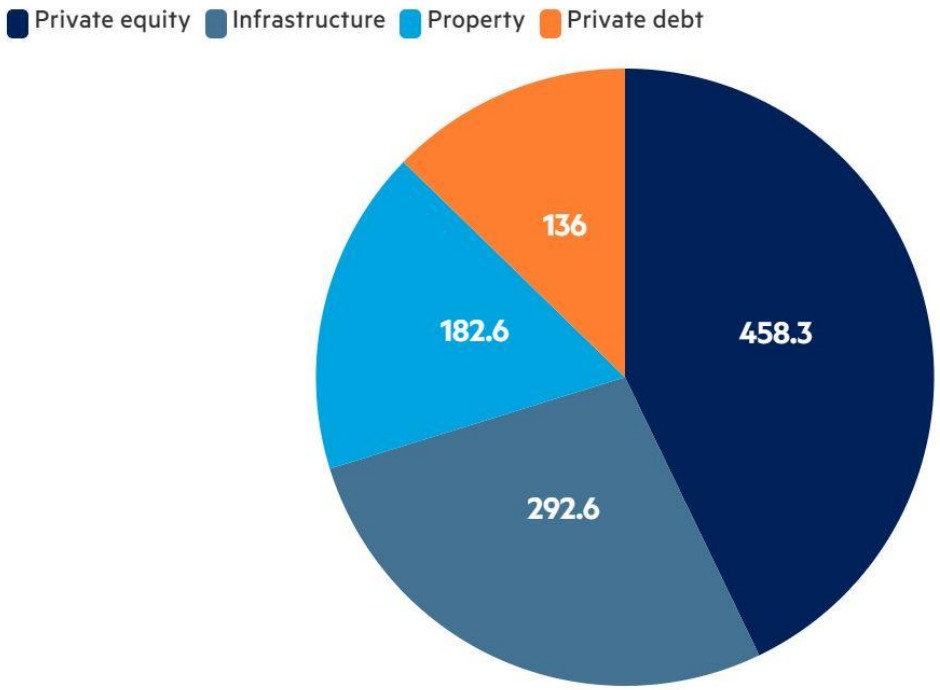
Alternatives expansion

ESG factors have played a key role in Fondo BCC’s alternative investment portfolio, which accounts for around 18 per cent of scheme assets.

The pension fund has been publishing an annual sustainability report since 2019 and assessed its portfolio of alternative funds according to multiple ESG factors.

The scheme invests in a wide range of alternative asset classes, which is a relatively uncommon practice for an Italian second-pillar pension fund. Indeed, the pension fund selected 13 new alternative investment funds in 2020 in asset classes such as private equity, private debt and infrastructure.

Fondo BCC's alternative commitments (€m) as at December 31 2020



Source: Fondo BCC Annual Report 2020

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It is also in the process of looking at new investment initiatives for 2021. “Within the limits allowed by regulations, we diversify a lot,” Carfizzi says.

In 2020, the scheme broadened its infrastructure portfolio by committing to six new funds, in addition to the four it already held. All new infrastructure funds invest partly or entirely in renewable energy.

Impact on real economy

Italian investors have been keen to support the country’s real economy since the start of the coronavirus pandemic, which has hit small businesses hard.

Progetto Economia Reale, a new investment platform looking to promote investment in the Italian real economy, has attracted commitments from many pension funds. For some of them, including the €695m Fondo Arco, the platform has been their first foray into alternatives.

Although Fondo BCC’s alternative funds span across geographic areas, the pension fund prioritises investments in the Italian real economy. For example, it committed €35m to Taste of Italy 2, a private

equity fund managed by DeA Capital, last year. The fund invests in the Italian and Spanish agri-food sector.

Fondo BCC's focus on real economy investments stems from its members, who are credit union employees.

Carfizzi explains that banks in particular are close to their local areas and know their small and medium-sized enterprises. "So when we can, we favour supporting Italian SMEs, and being close to the businesses that do the work every day, trying to achieve real results," he says.

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