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## 1. Role of Private Banking industry in SRI market

Good morning to the fellow speakers and the distinguished audience.

It is a great pleasure to join the 2020 Rome Investment Forum which is for me a great opportunity to share with you some thoughts about “Socially Responsible Investing in the Italian Wealth Management with a focus on Private Banking”.

**Private Banking** could be a driver for the growth of SRI investment in the financial portfolios of **Italian individual investors**.

This statement is clarified by the specific features of PB customers and business model.

**Starting from customers:** they are high-net-worth households and individuals with more diversified financial asset portfolio and sophisticated needs, more open to new kind of investments than the average retail customers.

**Talking about service level:** Private Banking service model stands out for a very high level of customization and it is carried out by specialized consultants, who meets clients’ investment needs over time, building lasting relationships based on trust

**Finally, we have to take in account the size of PB Industry.** In September 2020 PB managed more than 880 billion euros of assets, which represents about 30% of Italian total investible assets owned by individuals.

## 2. Offer of SRI products

We see in our country very different evidences about SRI investment between the offer by professional asset manager companies and real interest shown by individual investors

**From the offer point of view, we have a very fast-growing industry.** In fact in Italy, the number of SRI funds distributed grew up to 560, accounting in September 2020 for 173 billion euros of assets under management, 100 billion euros higher compared to 2019 (source Atlante SRI Etica News).

The Atlante SRI analysis, which is our source, shows that also the number of players is increasing and have double in 10 years. In Fact, in 2019, the number of asset managers that issue SRI funds reached one hundred, compared to 49 in 2010.

Furthermore, the analysis told us that the **“exclusion” approach** is the most adopted by asset managers. This is certainly a first step, but we have seen growing the weight of more sophisticated strategies, like Sustainability Themes, Best in Class and ESG integration.

### **3. Demand of SRI products by retail customers**

**Moving on demand side**, we see a differ picture. It is worth to consider that ESG assets are still mostly owned by institutional investors.

In Italy, it is high the percentage of households that don't know sustainability themes at all, even if the media coverage has increased in the last years. The survey we have recently carried out in partnership with IPSOS, shows that retail customers who don't have a clue about SRI represent **71%** of the total, in Italy.

On the other side, Private Clients who have knowledge of ESG investment products account for **54%** in comparison to **29%** of other retail investors. But only **8%** of Private investors and **2%** of other investors actually hold ESG products.

Why?

Above all, it is because **Private investors don't really believe that, through their choices, they can influence corporate behaviours.**

According to 2020 data from the AIPB Survey on Private Customers in Italy, only 13% of them is “much” convinced that their **consumption** choice can change things. This percentage goes down to 9% if we ask about **investment** choices.

But we also have a significant share (49%) of Private investors that is “quite” convinced. So, we have to work on this part of population, especially the youngest. In fact, among young people there is more awareness and proactivity in promoting sustainable behaviours.

It is time to deal with this lack of knowledge about ESG products. Some Private Clients have shown doubts on the real impact that SRI funds have on sustainability and many clients don't even perceive ESG investments as real financial products.

**From investor feedback we know that is very important for them to have the possibility to check the positive social impact of these investments.** Presently this kind of feedback does not exist for this type of financial products.

Moreover, uncertainty coming from pandemic lead to short-term preference, penalizing long term investments, like the ESG ones.

#### **4. How Private Banking Industry can reduce the gap between demand and offer**

So, how Private Banking Industry can help to fill the gap between offer from asset management industry and demand from individual investors?

The PB sector is aware of its potential role to support SRI investment and declare the introduction of ESG criteria in product's selection as number one priority in his strategic development.

In a recent AIPB survey 90% of the respondent among PB institutions state to be strongly committed on that over the next 3 years.

**This means that distribution networks can play a key role in order to make ESG demand and offer closer,** by inserting ESG products in their product offer, so Private Bankers can propose and explain them to the clients.

In fact, Private Bankers are key to make clients more confident with the return in term of not only financial performance but also of **social impact** of ESG investments.

In order to achieve this goal, PB players have **to invest in training** their bankers, providing them with the right tools and skills. Consultants must:

- Have a deep knowledge of the customers and of their targets
- Have an independent selection of eligible products to suggest to clients

- Have an appropriate education about this kind of products and a clear view of the context
- Be able to constantly monitor investments and their fitting with clients' targets during time

This **new process is on-going**...the Private Banking industry is fast moving to the paradigm of sustainable investments, in order to meet all the opportunities coming from the current scenario. We will check in the following years the progress we were able to achieve.