

A strategy that allows you to position yourself with respect to long-term risks and opportunities

SOCIAL RESPONSIBILITY PAYS OFF

Castelli (Banor): it allows you to distinguish your performances

by **Laura Magna**

ESG? It is not optional, not even during the Coronavirus pandemic. It changes the consolidated paradigms in society and in industry, perhaps permanently, but it does not modify. On the contrary, it reinforces the need for sustainability. We spoke about this with **Francesco Castelli**, Head of Fixed Income at Banor Capital. "At a very difficult time for markets that is often compared with the post-war period or the deep global economic and social crisis of the 1930s, one might ask if it makes sense 'also' to consider ESG criteria, with all the problems we already have", said Castelli to *MF-Milano Finanza*. "Notwithstanding it all and possibly for all the more reason, we believe that now is the right time to face the issue (and put it into practice). Because, the way we see it, sustainable finance is not an option that we can afford only at a time when everything is going well and portfolios are overflowing, but a tool that allows us to manage difficulties, during so-called lean times". Responsible asset managers who adopt an ESG process have, on average, done well during the brutal March correction when we witnessed the collapse of all the stock exchanges. The oil issue, for example, has

been discussed in an ESG context for some time now, even though nobody could have foreseen the extreme levels that we witnessed subsequently on 20 April. "Nobody forecast negative prices, but a price collapse scenario had been widely contended. The pandemic has only accelerated the pace of a secular process that has been going on for at least five years", continued Castelli. "This is a classic example of how the ESG investment philosophy works. It serves the purpose of identifying the long-term risks and opportunities in relation to environmental (E), social (S) and governance (G) contexts. It shows you how to strategically position your portfolio, without resorting to short-term trading". But in this crisis, investors did not only look at the environmental context which is the one of the three contexts which attracts the most media attention. Many current issues fall into the social and governance categories. Indeed, companies have faced multiple requests from many stakeholders and they had to raise their standards on new fronts. "Just think of those companies that provide essential services. On the one hand, they have to safeguard the health of their employees and, on the other hand, they have to carry on with their activities to

guarantee services to citizens. Important choices that are really a matter of life and death", said Castelli. In times of crisis, "investing in human capital", and "the safety of employees" are no longer just slogans but a distinguishing feature, even in financial performance. The companies that are most well-prepared will survive. They will retain their customers and they will earn the loyalty of their employees. It is not just something that is nice to have, but something a company cannot survive without. "Of course, moving on to the governance context, these investments involve important choices. When Brian Moynihan, CEO of Bank of America, announced that the bank's priorities were 'employees, customers, and the community', the shareholders' blood froze because they know that their dividends are at risk (or might even be suspended, as in the case of European banks). But he also stated, 'We are doing this because, in the long run, all of this will be an advantage for you shareholders'. Exactly in line with ESG philosophy: manage emergencies and exploit them to increase your position in the long term", concluded Castelli. (all rights reserved)



Francesco Castelli, Head of Fixed Income at Banor Capital