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The historical evolution of socially responsible investments: from the ethical origins to the Recovery Plan of the European Union



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Why this recent growth?

- Financial crisis of 2007/2008
- Climate change and new environmental sustainability challenges
- COVID-19



New responses to new challenges from new actors

- UN:
 - *Principles for responsible investment* (2006, <https://www.un.org/press/en/2006/sg2111.doc.htm>)
 - *Global Sustainable Development Goals* (2015, <https://sdgs.un.org/goals>)
- OECD:
 - *2030 Agenda* (<https://www.oecd.org/dac/sustainable-development-goals.htm>)
- World Bank:
 - *Atlas of Sustainable Development Goals* (<https://datatopics.worldbank.org/sdgatlas/>)
- *International Finance Corporation*
 - Sustainability Framework (https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/sustainability+framework)
- European Union
- National states



Define SRI: ***Socially / Sustainable Responsible Investment***

- Many actors, many SRIs
- SRIs are financial products that aim to create value for the investor and for society as a whole through a medium-long term-oriented investment strategy, which integrates financial analysis with environmental, social and good governance (ESG - *Environmental, Social, Governance*).



A variety of products and criteria to invest responsibly

Negative / exclusion screening

Positive / *best-in-class* screening

Policy-based screening

Integration of ESG factors

Investments with a specific sustainable theme (themed products)

Investments tagged (*labelled*)

Impact or community investment

Corporate and shareholder involvement

Green Bonds



Economics vs ethics

- “Ethical investment” was the definition originally used to identify “unconventional” investment practices.
- Economics as “pure science”: paradigm of *homo oeconomicus* and exclusion of value motivations in economic choices.

Non-rational behaviors?

Vietnam war

Movements and associations for the extension of civil rights

South Africa (*apartheid*)

Dreyfus Third Century Fund (1972)

The Domini 400 Social Index (1990)



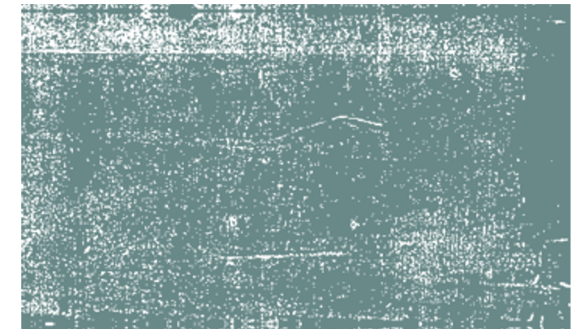
SRI in European Union

- Paris Agreement on Climate Change (2015)
- UN *Agenda* 2030
- European regulatory framework for climate and energy 2030 (2014)
- Specific packages:
 - Energy of the Union
 - European capital markets
 - *Green Deal* (2019)
 - Economia circolare (2020)
 - *New European Bauhaus* (2021)
- EU budget for the period 2014-2020, including the Cohesion Fund.
- Sustainable Finance Action Plan (2018)
- *Recovery Plan* (2020)



The European “taxonomy”

- *EU High-Level Group on Sustainable Finance* (created in 2016) recommended in the final report (January 2018) the establishment of a European sustainability taxonomy.
- A special group of technical experts in sustainable finance (TEG) published the final document in 2020 which presented:
 - a classification of 72 economic activities by their degree of sustainability;
 - a standard for so-called *European Green Bonds*;
 - benchmarks for low carbon investment strategies;
 - a guide to improving the dissemination of information on climate impact by companies;
 - 5 principles for economic 'recovery and resilience'.



An important occasion: the *Recovery Plan*

- Among the objectives of the RP:
 - fair climate and digital transitions, through the fair transition fund and the "Digital Europe" program
 - fight against climate change
 - protection of biodiversity
 - gender equality
- "NextGenerationEU" allocates 750 billion euros for an economic recovery that must be "greener, digital, resilient and adapted to present and future challenges".

Some references

- Jean Monnet Project "Assessing the EU Strategy on Green Finance and ESG factors": <https://agreenfin.ec.unipi.it/>
- Technical expert group on sustainable finance (TEG): https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en
- Recovery Plan: https://ec.europa.eu/info/strategy/recovery-plan-europe_en
- OECD's Sustainable Development Goals: <https://www.oecd.org/dac/sustainable-development-goals.htm>

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