



TOPICS:

ESG Risk

SOURCE:

Commissione Nazionale per le Società e la Borsa

CONSOB: The Sustainability Premium of Italian Bonds

- The paper analyses **whether ESG-labelled Italian bonds benefit from lower financing costs compared with conventional bonds**. Using a sample of 3,363 Italian corporate and financial-sector bonds outstanding as of June 2025, including 195 ESG bonds classified under ICMA principles, the study examines whether investors price sustainability characteristics into bond yields.
- The authors apply **several methodologies**, including univariate analysis, fixed-effects regressions and propensity score matching, to isolate the effect of ESG characteristics while controlling for traditional bond factors such as maturity, liquidity, leverage and credit quality.
- The **findings** show **a statistically significant negative sustainability premium** for the overall sample, particularly among non-financial corporate issuers. ESG corporate bonds were issued at lower yields than comparable conventional bonds,

suggesting investors perceive them as less risky or are willing to accept lower returns for sustainable investments. However, no significant premium was found for bonds issued by financial institutions.

- The study also finds that the issuer's overall **ESG rating is an important determinant of bond pricing**. Firms with stronger ESG performance generally obtain lower funding costs across both ESG and conventional issuances.
- Finally, the paper highlights the importance of the **EU Green Bond Regulation** in improving transparency, disclosure standards and market credibility, potentially strengthening sustainable bond pricing and supporting supervisory monitoring of ESG risks.

