

# LESSONS IN ROUTING PRIVATE CAPITAL INTO SUSTAINABILITY

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Four Guernsey practitioners in funds and private wealth discuss the island's role in green and sustainable finance, including its structuring, service and products.

What progress is being made in green and sustainable finance in Guernsey and more broadly?

Frances Watson, Partner at law firm [Mourant](#): It's been five years since Paris (COP 21) and sometimes you can think: what have we achieved? But actually I think what we can all say we've achieved is that investment and products in this space have become mainstream.

Annette Alexander, Partner at law firm [Carey Olsen](#): The Guernsey Green Fund, a Guernsey innovation and the world's first green fund product, has channeled an enormous amount of private wealth into the green space and into sustainable investments. It is a robust, transparent product in a number of ways – 75% of the fund must be invested with the objective of mitigating environmental damage and the other 25% must do no harm. The investment must comply with international standards.

We see all sorts of green investments – solar, wind farms, agriculture, forestation – and managers, whether existing or first-time managers, have had no trouble fundraising: their funds have often been oversubscribed.

FW: A lot of this is about verification and authenticity. That's a very powerful conversation to have and is very effective.

Annette Alexander: I'm getting probably one or two cold calls a week on the Green Fund alone. That doesn't mean we're translating all of them, but the interest is there. Five years ago in this sector it was more a sense of people doing this because they wanted to. Now in Guernsey, and globally, it's being driven by the regulators and the service providers. We're moving towards international standards and the effect of regulation.

In Guernsey we see everything from the high-net-worth individuals through the institutions through to the pension funds. Five or six years ago, when we were looking at impact and green, the institutions were largely ticking a box. Now they are much more active, not just in budget allocations, but in consideration of environmental, social and governance (ESG) factors and impact in every investment.

What can Guernsey do to help route private capital into sustainability?

Emmalene Holden, Director, [Albany Trustee Company](#): Guernsey is a hub for wealth planning structures, and with the increasing professionalisation of family offices, we're seeing a strong focus on corporate governance, which is increasingly extending into environmental considerations and impact investing.

Families want to work with our fiduciaries for wealth structuring and bespoke structures. Guernsey can offer to help articulate their beliefs and values and facilitate sustainable investments alongside the targets of financial return.

Guernsey's Trust law is very flexible and with a discretionary trust you can have a specific provision in there which might allow the trustees to invest in sustainable investments. Or you can go perhaps a bit further and have prescribed directions within the trust documents that would enable a certain person to direct particular investments.

Guernsey is very well positioned to offer a variety of flexible solutions to help clients achieve their goals. We have charitable trusts, purpose trusts and foundations, which lend themselves to more philanthropic investing and impact investing.

Rebecca Booth, Client Director, [Carey](#): Guernsey has the right products and services for this market. Our trust companies, fiduciaries, lawyers, custodians and the banking system are all plugged into that agenda for helping private capital invest in sustainability. It means that we've got an ecosystem here in Guernsey that really enables

positive climate change.

We have had a twofold increase in investment in sustainability in the last two years, which really shows that our clients are interested in making that positive impact. Our private wealth clients feel that Guernsey is a safe and like-minded jurisdiction.

It means that we are really getting traction with people wanting to set up their foundations, trusts and funds in Guernsey, because we're all on the same page, with the right products, access to services, and positive change that Guernsey can help to make.

EH: Guernsey's focus and joined-up thinking on sustainability goes through to our fiduciary service providers. All our businesses are thinking about it and we are educating ourselves so we can initiate these conversations with our clients across all generations.

There is a growing interest in ESG, and the inter-generational nature of trust structures means that we are now increasingly working with the younger generations at the forefront of our client relationships. It's a key topic for them. They have much greater environmental concerns and they are looking for trustees and their professional advisers to help them develop strategies that are aligned with their personal values.

This can extend to longer-term investing, which works for trustees given the long-term nature of trust structures.

FW: We're now seeing impact funds here in Guernsey. Traditionally this has been the preserve of the private world, and we used to call it philanthropy. We have some fantastic structures here, particularly trusts, which have facilitated that over the years.

We are seeing increased use of alternative structures, moving away from trusts into private trust companies, and foundations, which allows the family to have more of an administrative role in the impact investment.

On the funds side we have really good regulatory products that suit impact investing – our Private Investment Funds for fewer than 50 investors who are sophisticated, or if there are going to be more than 50 investors, you are probably looking at a registered fund product. Both of these are quick to market and have a lighter regulatory touch.

### Guernsey's influence on sustainability

FW: Guernsey has had more than 40 years of experience of international engagement as a specialist centre for global finance. We have signed up to anti-money laundering, FATCA, CRS and economic substance requirements, and as a result we have been whitelisted by the EU and OECD. Our regulator is accustomed to having international cooperation agreements.

So it's in our DNA. And when you take that concept of international engagement in the sustainability finance sector, we have continued this journey.

Aligning ourselves to international standards has helped us to bring in a financial system network. We've learned from that, and we've also learned how to regulate it. We are really good at product development and so we've been able to share that expertise back with our international partners, as evidenced by the green fund.

EH: It is fair to say at the moment that there isn't really any global alignment in terms of what is a consensus for measuring impact. Each impact fund investment or family will really set their own objectives here and then decide how they want to measure it.

In the future, the way that we measure impact will become more internationally aligned and the important point here is that Guernsey's well placed to assist with that journey.

AA: ESG was mainstream before the pandemic, and what the pandemic has highlighted to us is all are the systemic risks of the way we live and the consequences of our society. It has certainly brought it to the front and centre of people's minds and it is now mainstream. I hope that what happens now is that generates into more investment in this space. We certainly see more inquiries, and this topic has joined the everyday conversations.

RB: Corporate governance has always been at the heart of what Guernsey offers and what the financial services industry offers globally. Every jurisdiction has a corporate governance code. Who's to say, in the future we might see an ESG code, where those corporate governance basics are expanded.

Our panel were speaking at a WE ARE GUERNSEY webinar, hosted as an official event of Climate Week NYC 2020. To watch the webinar in full, go to: <https://www.weareguernsey.com/finance-events/2020/private-wealth-financing-sustainability/on-demand/>

In association with the UN's Finance Centres for Sustainability, [Guernsey Green Finance](#) will be hosting its annual [Sustainable Finance Week in June](#). A fixture in the private wealth and sustainable finance space the event will be bringing together global policy makers, opinion formers and professionals from across the private wealth and

sustainable finance to discuss private capital financing sustainability against the backdrop of CoP 26 later in 2021.

This article first appeared in [STEP Journal, Issue Six, 2020](#).

WE ARE GUERNSEY is the brand under which Guernsey Finance promotes the island's financial services sector internationally. Guernsey Finance - the promotional agency for the island's finance industry internationally - is a joint industry and Government initiative responsible for the promotion of Guernsey. Under the leadership of Chief Executive Rupert Pleasant, the agency ensures that the core values and competencies of the island's finance sector are accepted and respected by the global community and that financial business development flows are enhanced.

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