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# PIVOT TO ESG AND SUSTAINABILITY — THE NEXT STEP FOR PRIVATE CAPITAL

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Rupert Morris, Chair of STEP Guernsey and a member of the STEP Worldwide Council, outlines Guernsey's connections with the development of sustainable finance. He is a partner in Walkers' Guernsey office and the head of the firm's Channel Islands Private Capital and Trusts team.

Four key factors make environmental, social and governance (ESG) investing and sustainable finance particularly relevant to private wealth managers, trustees and those advising high-net-worth families:

- a growing societal awareness and commitment to environmental causes;
- a demographic transfer of wealth to a younger and more socially conscious generation;
- increasing pressure on reporting ESG metrics by governments and regulators; and
- the opportunity to "build back better" with significant infrastructure investment as the world recovers from Covid-19.

While ethical investing may have been little more than a buzzword in years gone by, in today's world it has taken on a growing significance.

As it has done so, the responsible investing continuum has expanded from the principle of 'do no harm' to one where investors are now seeking to achieve positive environmental and social impact alongside financial returns – and not as a trade-off against them. As we enter a new decade, the focus is now very much on integrating an even deeper commitment to positive societal impact within investments.

Responding to concerns about the climate crisis and society's increasing expectations of purpose and impact in the commercial world, there has been a growth in the design of investments which seek, intentionally, to generate a measurable, beneficial social or environmental impact alongside a financial return. These are known as impact investments, and their focus includes tackling global issues such as climate change, poverty, education, healthcare and the diversity and inclusion agenda.

More and more family offices that we deal with have these issues at the heart of their wider agenda, with consultants advising on social and environmental measurables and deliverables of investments in the same way that they might report on financial performance.

In the private wealth sphere an increasing number of families and ultra-high-net-worth individuals, often via their family office, are looking to deploy capital into investments which may have a personal and/or geographic connection with the family, and which at the same time will have a positive impact on the world around them. Families are allotting significant importance to impact and sustainable investing within their businesses and investment portfolios.

Creating a common set of family goals acceptable to each of the generations is becoming more achievable due to the increased metrics that can highlight their success or failure. As a result, those impact and sustainability goals, together with the methods for testing them, can be incorporated successfully into the investment strategy of the modern family office.

It has been 15 years since the term 'ESG investing' was first used in an International Finance Corporation report, and all available evidence suggests that responsible investing is poised to grow far quicker in its second 15-year phase than its first. That change is driven partly by demands on institutional investors (particularly those managing capital for pension funds or sovereign wealth funds). But at the same time, there are changes in the behaviour of those controlling the growing amount of capital in private hands to push it further in the direction of responsible investing.

Guernsey's role in the international picture is clear – it is a jurisdiction that combines the innovative structuring tools, quality professional expertise and financial services infrastructure to support cross-border responsible

investment into the new decade and beyond. These efforts mean the island is primed to position itself as the jurisdiction of choice to deliver the professional services and responsible finance solutions that a new generation demands.

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.

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