

# ESG and Sustainability – what do wealthy families really think?



**STEPHANIE GLOVER**  
Guernsey Finance

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## What do wealthy Families really think about Sustainability and ESG?

Whenever we speak to those in Guernsey working with family offices and private wealth, the answer is always the same, and that’s every family is different. At one end of the spectrum, we have families who are really passionate about making a difference with their money and investing in sustainable causes. This could be climate related, broader sustainability issues such as biodiversity, or increasing social issues, such as gender diversity and social housing. Some families are less passionate about the difference their money can make and more concerned with the business risk around sustainability in ESG. It’s definitely recognised that companies with higher ESG ratings see better returns and experience lower risk.

## Has Covid had much impact on sustainability and ESG?

It’s certainly helped investors see that sustainable investing isn’t too good to be true. According to BlackRock data, 88% of sustainable funds outperformed their non-sustainable counterparts during the crisis. I think COVID has also showed how interconnected our world is. I think all of us during the lockdowns really appreciated nature and saw the importance of protecting nature. And we’re definitely seeing growing interest into biodiversity initiatives and investments.

## What are some of the similarities and differences between the European and Asian understanding on ESG and sustainability?

Both in Europe and Asia, I think particularly looking at Hong Kong, we’ve seen a huge importance on the role of sustainable finance in tackling climate change. I do think it’s fair to say that Europe has really been at the forefront of building in ESG considerations into investment portfolios and also in development of regulations, taxonomies and so on. But Asia is definitely catching up, especially in terms of regulation. I think Hong Kong and China’s net-zero ambitions are really helping to raise awareness about climate risk and the transition needs. I think also looking to Asia, we’re definitely seeing that the culture of philanthropy is really helping with the sustainability and ESG agenda.

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## How much are ESG and sustainable finance trends driven by millennials and younger investors?

A lot of the narrative in ESG and sustainable investing is around this divide between millennials and boomers. However, almost all of our panelists at our recent Sustainable Finance Week, held in Guernsey, saw this as a really outdated and irrelevant distinction. I do think some agreed that millennials and activists are really catalysing the move towards sustainable investing, but investors and families across all ages are really seeing the benefits of sustainability.

## Guernsey Green Finance has recently released a report on fiduciary duty. How does fiduciary duty relate to sustainable finance for wealthy families?

In 2019, the United Nations Environment Programme Finance

Initiative and the United Nations Principles for Responsible Investing concluded that failure to consider long-term risks, things like climate change and ESG, is a failure of fiduciary duty. Our report outlines why it's so important to modernise our understanding of fiduciary duty and the ways in which Guernsey is doing so through building frameworks, services and educational programs for those working within the family office space.

## What are some of the other key green and sustainable finance initiatives in Guernsey?

We have so many sustainable finance initiatives in Guernsey. As a global responsible system, we really see it as our role to use our expertise and experience in the financial service industry and translate this over to sustainable finance. In Guernsey, we launched the world's first regulated green fund regime, which now channels

over GBP4 billion into climate related projects.

In our insurance sector, we recently launched an ESG framework for insurers, and this has been really well received by those working in industry in Guernsey and also internationally. And coming back to family offices and private wealth, we've recently released a suite of educational materials for those working in family offices to outline how important sustainability is, and break down those tricky concepts. We're also a member of several international initiatives, such as the United Nations Financial Centre for Sustainability, the United Nations Sustainable Insurance Forum, and a network for greening the financial system. And I really hope that the number of these initiatives show how committed Guernsey is to the green and sustainable finance agenda. ■

