



How is private wealth approaching impact?

Insights - 02/03/2022

Our people and planet face serious challenges from the developing climate crisis, natural disasters and rising inequality. No corner of earth is immune from the consequences. But we are far from powerless in the face of these global threats - this is a race we can win.

Fortunately, there is a growing global momentum towards sustainability, and we've seen this positive change supported at COP26 and by the UN Sustainable Development Goals (SDGs), which provide guidance for countries, companies, investors and philanthropists to align their activities towards sustainability and protecting the environment for the next generation.

The growing appetite for sustainable investments is also reflected in the data. The Global Sustainable Investment Alliance (GSIA) 2020 review reflects global assets under management in sustainable investments reached US\$35.3 trillion in 2020, a growth of 15% in two years. According to Leonie Kelly, director and head of Ogier Global's Sustainable Investment Consulting, this can, in part, be attributed to what is being called 'The Great Wealth Transfer'.

"Younger generations are expressing different risk, return and impact expectations towards management of assets" said Leonie. Millennials are moving beyond using philanthropy alone and deploying capital across the spectrum of strategies including impact investing. They increasingly recognise one can do well and do good using blended instruments and vehicles."

Another driving force has been the pandemic, said private wealth expert Catherine Moore, a partner from leading offshore firm Ogier: "The Covid-19 pandemic has led many to consider their own mortality and their legacies, with many clients and their families contemplating their family's genuine needs when weighed against the needs of society and the world we live in. As some may ask, why have wealth in a world we do not want to spend it in?"

Private wealth plays an increasingly important role in supporting the global movement to align the financial system with sustainable development and environmental, social and governance (ESG) considerations, all of which are key to achieving the desired positive impact on the planet and the UN SDGs.

Engaged philanthropists, foundations and impact investors are vital players in supporting the transition to a sustainable economy and are stepping up to the plate to create solutions. The potential impact of private capital has also, arguably, been magnified by the Covid-19 pandemic which has placed added significant strain on public sector funding and resources.

How high-net-worth families can most effectively make a difference is now a common question facing private wealth advisers and wealth managers, and as clients are increasingly looking to align their investments with their values, and improve the application of private wealth in driving meaningful change, they're also seeking the specialist advice of ESG and sustainable investment professionals.

"The positive impact of private wealth is, of course, nothing new – many international families have for centuries used their wealth to positively benefit social, economic and environmental causes and movements. However, there have been a number of significant changes over recent decades," said Catherine.

"Clients and, increasingly, family offices are now seeing the need for professional and sophisticated advice surrounding the structuring of philanthropic and impact focused ventures as they desire to correlate new wealth generation with positive impact. It's a trend reflected in the growth of impact investing and the key performance indicators for its assessment. However, structures with a particular focus on impact and ESG investing are often of a bespoke design with significant underlying value and it is fundamental that specialist advice is sought, including legal advice."

According to Leonie, in a low-interest, low-yield world, this has accelerated a widening of the family-office investment universe beyond traditional asset classes into such areas as private equity, venture capital, ESG investments and even cryptocurrency. As investments grow more intricate and high-net-worth families become increasingly globalised, expertise is in greater demand.

For example, impact investing has become a powerful mechanism for family offices. According to recent data, a quarter of family offices are engaged in impact investing and over a third expect to increase their impact allocation in the next five years.

Trustees and foundations, which have played a critical role in pioneering a holistic impact approach, can also deliver environmental and social outcomes through several means, including traditional grant-making, program-related investments (PRIs) and mission-related investments (MRIs).

"Foundations, trustees, charitable vehicles and family offices more broadly are increasingly seeking to leverage their capital for good and make a positive impact. But this often requires clients to re-imagine how to generate impact from their endowments, which we can help support by providing impact management, measurement and conducting due diligence

services,” she said.

The support needed has expanded rapidly over the years and it is now commonplace for advisers to not only assist in creating new private wealth structures primarily focused on ESG, impact or sustainable investment objectives (be they trusts, foundations, companies or partnerships) but to provide advice on the evolving provisions, governance mechanisms, impact strategies, family constitutions and family office policies designed to further these objectives - or to introduce them where they have not previously been a clear objective particularly as next generation beneficiaries play a larger role in the family's wealth administration.

“More and more individuals are looking to align their personal values with the way they give and invest and this often requires long-term strategic thinking that an ESG framework can provide. Whether through foundations, trusts or other structures, family offices or impact investing, it's become vital for clients to seek the right support and legal advice to bring new dimensions to their philanthropic activities.”

Ogier and its corporate administration business Ogier Global support clients by pairing legal and regulatory services with technical and practical advice on the implementation and delivery of sustainable investment (SI) and ESG mandates.

With an experienced team of legal and technical experts, Ogier can help trustees, foundations, family offices and philanthropists seeking to incorporate ESG considerations into existing private wealth structures or establish private wealth structures with ESG, sustainable or impact investment objectives.

To find out more about how our experienced team can help, please reach out to your usual Ogier contact or one of the contacts listed in this article.

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