SUSTAINABLE FINANCE PROGRAMME

SMITH SCHOOL OF ENTERPRISE AND THE ENVIRONMENT

UNIVERSITY OF OXFORD

Summary of Proceedings

Ultra High-Net-Worth Individuals, Private Banks, and the State of Sustainable Investment

5th Stranded Assets Forum

Waddesdon Manor, 15th April 2016

In Partnership with:

THE ROTHSCHILD FOUNDATION

KR foundation

THE PRINCE'S ACCOUNTING FOR SUSTAINABILITY PROJECT

Authors: Lucas Kruitwagen | Elizabeth Harnett | Ben Caldecott

About the Sustainable Finance Programme

The Sustainable Finance Programme at the University of Oxford's Smith School of Enterprise and the Environment was established in 2012 (originally as the Stranded Assets Programme) to understand how finance and investment intersects with the environment and sustainability.

We seek to understand the requirements, challenges, and opportunities associated with a reallocation of capital towards investments aligned with global environmental sustainability. We seek to understand environment-related risk and opportunity, both in different sectors and systemically; how such factors are emerging and how they positively or negatively affect asset values; how such factors might be interrelated or correlated; their materiality (in terms of scale, impact, timing, and likelihood); who will be affected; and what affected groups can do to pre-emptively manage risk.

We recognise that the production of high-quality research on environment-related factors is a necessary, though insufficient, condition for these factors to be successfully integrated into decision-making. Consequently, we also research the barriers that might prevent integration, whether in financial institutions, companies, governments, or regulators, and develop responses to address them. We also develop the data, analytics, frameworks, and models required to enable the integration of this information into decision-making.

The Programme is based in a world leading university with a global reach and reputation. We work with leading practitioners from across the investment chain (including actuaries, asset owners, asset managers, accountants, banks, data providers, investment consultants, lawyers, ratings agencies, stock exchanges), with firms and their management, and with experts from a wide range of related subject areas (including finance, economics, management, geography, anthropology, climate science, law, area studies, psychology) within the University of Oxford and beyond.

Since 2012 we have conducted pioneering research on stranded assets and remain the only academic institution conducting work in a significant and coordinated way on the topic. We have created the Stranded Assets Research Network, which brings together researchers, research institutions, and practitioners working on these and related issues internationally to share expertise. We have also created the Stranded Assets Forums, which are a series of private workshops to explore the issues involved.

Acknowledgements

We would like to thank the participants and speakers, as well as forum partners The Rothschild Foundation, the KR Foundation, and The Prince of Wales' Accounting for Sustainability Project. We would also like to thank all the interviewees and survey respondents who contributed prior to the forum. This was the fifth Stranded Assets Forum and it is part of a series that aims to bring together a select number of key people from across the financial system to better understand drivers of stranded assets, their consequences, and how to develop effective responses to the challenges they could generate.

University of Oxford Disclaimer

Table of Contents

Introduction

The University of Oxford's Smith School of Enterprise and the Environment and The Rothschild Foundation, together with the KR Foundation and The Prince of Wales's Accounting for Sustainability Project, organised the 5th Stranded Assets Forum on Friday 15th April 2016. This Forum followed four earlier forums[1]: i) a general investigation of topics connected to stranded assets (March 2014); ii) a more focused event concentrating on divestment by endowments of their financial holdings in the fossil fuel industry (September 2014); iii) a forum to explore the role that investment consultants play in promoting action by asset owners on matters of environment, climate, and sustainability (March 2015); and iv) a forum to examine how environment-related risks, including physical climate change impacts and societal responses to climate change, might materialize in ways that could impact financial stability (October 2015).

The fifth forum examined ultra high-net-worth individuals (UHNWIs), the advice they receive on sustainable investment topics, and how they could shape demand for and the practice of sustainable investment. The entire global population of 211,275 UHNWIs was worth US$29.7 trillion in 2014[2], compared to OECD pension funds with assets of US$24.7 trillion. There also appears to be a growing propensity for many UHNWIs to be motived in part by environmental, social, and governance (ESG) considerations - for example wanting to directly or indirectly support social or environmental objectives through their investments, while simultaneously generating an appropriate risk-adjusted returns across their portfolios. Many UHNWIs also give generously to charities which sometimes target similar environmental or social outcomes.

Given this and the scale of capital involved, it is important to find out how good private banks and private wealth managers are at providing advice on green investment topics. Do private banks and private wealth managers possess the skills, training, and expertise to cater to the apparently growing demand for advice on sustainability? If not, what can be done to address this problem and if it is an issue, what are its causes and consequences? Could there be structural barriers preventing the private wealth management industry from catering to these priorities and how could they be resolved? Moreover, what is the state of client demand for these products and services and how might it be evolving?

[1] For summaries of the proceedings of previous forums, please see: http://www.smithschool.ox.ac.uk/research-programmes/stranded-assets/publications.php
[2] UBS (2014) *World Ultra Wealth Report 2014.* Available from: https://www.private-banking-magazin.de/uploads/fm/1416410395.Wealth-X__UBS_World_Ultra_Wealth_Report_2014_Final.pdf

Key Findings

Session I: Environmental sustainability and the potential role of UHNWIs as asset owners

- UHNWIs as a group of asset owners control a sizeable portion of global wealth that if allocated towards climate solutions could help to tackle anthropogenic climate change.
- UHNWI mission-aligned spending currently favours social and health causes over environmental causes.
- UHNWIs are often social influencers and leaders, and so can inspire and encourage climate solution investment beyond their own portfolios.
- The reporting and impact measurement associated with green investment opportunities is insufficient. The diversity of client impact interests makes reporting more difficult and increases costs.
- UHNWIs often give generously to charity, raising questions about the role of philanthropy relative to mission-aligned investing. A spectrum of impact and returns might exist between philanthropic giving and commercial investing.
- The time horizon of expected impact and return may be one way to effectively guide capital allocation between philanthropy and mission-aligned investing, with philanthropic capital being allocated to longer-term opportunities.

Session II: Barriers to progress

- UHNWIs and their advisors require further education on the risks and opportunities relating to climate change.
- Definitions and standards of green investment are lacking, causing confusion and a lack of action.
- Opportunities for investment in green products remain too small-scale, illiquid, and undiversified. The UHNWIs who have chosen divest-invest strategies find divesting easy but have difficulty finding green investment opportunities.
- The financial system remains focused on the short-term. This acts as a barrier to the consideration of long-term challenges, such as climate change.
- Entrance into the green investment market still has high barriers to entry, including stringent regulation and high research costs. This prohibits many UHNWIs from exploring green investment options.
- Growing attention to the legislative duties of companies, governments and investors will put pressure on these actors to account for climate change. UHNWIs are responsive to activism and are able to encourage greater awareness of climate change through engagement.

Session III: Mobilising client demand

- UHNWI clients are not motivated by ESG screening or moralising, but seek compelling investment opportunities with positive impacts.
- Funds and issuers need to make their ESG offerings more mainstream, including integrating siloed ESG departments and training client facing staff on the ESG components of investment products.
- UHNWIs are undergoing a massive demographic transition from baby boomer wealth holders to younger generations, with more millennials and women becoming asset owners. Younger generations are more interested in mission-aligned investing.
- Offerings should target positive stories – not just 'less bad' stories. A green investment product is not the same as an ex-fossil investment product.
- To support the creation of real green investment products, disclosure, measurement, and reporting must improve in order to better identify environment-related risk and opportunity in investment products.
- Impact disclosure must extend beyond companies to also include funds and financial institutions.

- Investors should not ignore public infrastructure as an impact investment; public planners and developers should measure and report their green credentials in order to access green investment.

Background

The Sustainable Finance Programme at the Oxford Smith School has undertaken a study examining the extent to which UHNWIs are adequately provisioned with green investment advice. Green investment is broadly defined, and includes such concepts as 'sustainable investment', 'socially responsible investment' (SRI), 'environmental, social, and governance' (ESG) considerations, 'ethical investment', etc. Research objectives include:

- Examine to what extent there is an under-provisioning of green investment advice by private banks and wealth managers to UHNW clients.
- Investigate whether there are barriers to better provisioning thereof among private banks, such as a lack of skills or knowledge, regulations, or disincentives.
- Uncover both how UHNWIs choose their advisers and their investments.
- Explore how UHNWIs think and feel about green investment, and whether they are satisfied with the advice they are being given.
- Identify whether lack of green investment is a supply-led or demand-led issue.
- Generate actionable recommendations for how to address the identified problems.

To approach these questions, Oxford Smith School researchers first explored the literature, then developed an online survey and conducted semi-structured interviews with UHNWIs and private banking professionals. By examining the investment value chain relationship from both sides, gaps and incongruences in beliefs are easier to identify. A survey and interview methodology allows both quantitative and open-ended information to be gathered, giving a broader understanding of the issues important to UHNWIs and private bankers. The downside of this methodology is the positive selection bias – those with stronger opinions (both positive or negative) were more likely to respond to the survey and interview requests. On the private banking side, career or corporate considerations also limited how forthcoming interviewees were.

The literature base provided almost no insight into the relationships of UHNWIs and private banking, let alone their views and practises on green investment. The present study therefore helps address this knowledge gap. Preliminary findings of the Oxford Smith School study are presented below and the rest of this document adds substantially to these findings by summarising the proceedings of the forum.

Responding UHNWIs were generally not satisfied with the performance of their wealth managers. UHNWIs were even less satisfied with the green investment advice and offerings of their wealth managers. The advice and offerings of their wealth managers in green investment had not kept pace with the growing interest in green investing of the last 5 years. The responding UHNWIs had over 20% of their portfolios dedicated to green investment, however this may be evidence of positive bias in the survey respondent population. Survey and interview respondents generally expressed frustration with the lack of green investment products and advice.

Several explicit barriers were identified which prevent UHNWIs from incorporating green investing in their investment strategies.

- *Measuring and Reporting*: difficulty in quantifying the positive impact of green investment appeared a barrier to many UHNWIs and private banks.
- *Generational gap*: numerous studies (including this study) show that those under 50s seem to care more about green investment, however those over 65 continue to control the majority of assets.
- *Lower returns*: green investment is almost universally seen as having lower returns than conventional investment.
- *Philanthropy vs. investment*: many UHNWIs seem to separate their investment interests from their philanthropic interests, so would rather give to environmental charities than adopt green portfolios.
- *Environment secondary*: many UHNWIs care more about "social" causes, such as literacy, health, or poverty, than the environment.

- *Lack of responsiveness:* UHNWIs felt that their private bank or advisors were unresponsive to their desire for more green investment, often overpromising but under-delivering. This was becoming a driving factor in the decision-making of investors to change advisors.

Private banks that were surveyed and interviewed had widely varied clients, with endowments, charities, and institutional clients all represented, with UHNWIs being the single largest group. Most private banks expressed a good degree of comfort in recommending green investments, though some had no green investment offerings. Respondents felt that offering green investment products was more time-consuming that traditional products, particularly due to the amount of client education necessary. Some also found that green investment needed to be highly customised for individual clients. They felt that these two factors made green investing un-scalable and a lack of product opportunities reflected this. However, relationship building and developing customised offerings to suit their clients was also seen as part of their core added value for clients. Most respondents saw green investment as a potential business growth opportunity, particularly as younger generations inherit more wealth. Private banks are changing their green investment focus to emerging opportunities in the Middle East and Asia.

Explicit barriers preventing private banks from offering green investment advice and products include:

- *Risk and fiduciary duty*: many private banks see green investment as high risk, and thus feel a duty to dissuade most clients from committing capital to such investments.
- *Capacity issues*: often there was a large disconnect between the apparent offerings of a private bank and the skills and expertise of individual account managers.
- *Regulation and suitability*: 'suitability report' and accompanying documentation seen as onerous burden by private banks, impacting profitability.
- *Disincentives*: most private bankers see themselves as 'guardians of capital', whose main job is capital preservation, and thus they have little incentive to recommend green investment, which they see as risky.
- *Time*: private bankers say that developing knowledge in the sector takes time, and they feel it will have little reward as they see scarce demand from clients.
- *Lower returns*: green investment is almost universally seen as having lower returns than conventional investment.
- *Greenwashing*: many private banks profess to be very active in ESG and other forms of green investment, but in reality, there is little dedicated green investment.

Session I: Environmental sustainability and the potential role of UHNWIs as asset owners

Delegates began by discussing the definitions of environmental sustainability and UHNWIs and their role as asset owners. Due to their significance as asset owners, micro-level data exists on UHNWIs and private data services collect and sell this data. UHNWIs focus more on 'social' impacts than green impacts – approximately 40% of mission-aligned spending by UHNWIs is on education, 13% on health, and only ~3% on environmental sustainability.

UHNWIs in the transition

First and foremost, as a large class of asset owners, UHNWIs can play a part in the energy transition by allocating a substantial portion of their asset base to climate solutions. The IEA estimates investments in climate solutions must triple by 2020 in order to successfully transition to a 2^{o}C-warming compatible economy, and then must triple again by 2035.[3] As asset owners, it is in the interest of UHNWIs to engage on the systemic risks of climate change (and other environmental risks) and to redefine the fiduciary duty of their asset managers to include considerations for the decarbonisation and adaptation of the economy.

Beyond their own asset allocation, UHNWIs have a critical role to play in shaping the broader social narrative of the transition to a 2^{o}C-warming constrained economy. UHNWIs are often leaders in their own organisations and social circles, and tend to keep company with society's other influencers, whether corporate, government, or civil society thought-leaders. UHNWIs can help these other leaders to avoid the trap of thinking that the future will resemble the past. They can help create a narrative of opportunity rather than fear and a confidence in the inevitability of the low-carbon transition. To do this however, UHNWIs need overcome their current confusion of concepts and terminology; they need to be educated on the large changes facing society.

There are risks to UHNWIs taking too large a role in driving the energy transition. As much as their confidence in the imperative of decarbonisation can build social momentum towards this goal, a collective failure in confidence could substantially damage progress towards decarbonisation. If, for example, the price of oil rose substantially and UHNWIs began to perceive more opportunity in fossil fuel incumbents than renewable energy, the loss of confidence of UHNWIs in the energy transition could have knock-on effects in the confidence of other asset owner classes and the aspirations of policymakers.

Product availability

Delegates expressed that finding appropriate green investment products was a challenge. In general, it takes an opportunity greater than US$100mn to launch a new investment product – many green investment opportunities do not yet have this scale. Their small volume, bespoke nature, and the increased reporting requirements all act to decrease returns for these products and reduce their acceptability in the eyes of asset owners and managers. Increased collaboration between issuers and investors is needed to develop and design appropriate products.

One of the main challenges with developing green investment products is determining how to appropriately measure and report the product's 'return on mission'. Further, asset owners and UHNWIs have a diversity of ethics, values, and missions which they are seeking to satisfy, adding costs to product offerings. To lower these costs, UHNWIs can become less particular about the specific green investment solutions they are seeking, and reporting can become more flexible to handle different climate solution investment opportunities.

---

[3] International Energy Agency (2014) *World Energy Investment Outlook*. IEA/OECD, Paris France. Available at: https://www.iea.org/publications/freepublications/publication/weo-2014-special-report---investment.html.

Some UHNWIs have chosen to divest assets with large environmental impacts and to invest in green investments, many through the divest-invest movement[4]. The impression of participants was that while divesting is relatively straight forward, investing in carbon solutions can be more difficult. UHNWIs face two challenges: first, the limited availability of investment products, and second a lack of knowledge or advice on what to invest in. While many asset owners have adopted divest-invest strategies, so far very little has been reinvested. Screening for the most impactful assets has been more successful (e.g. carbon tilting, coal divestment) in shifting portfolio impact.

Philanthropy vs. Investment

UHNWIs are generally involved in both philanthropy and mission-aligned investment. Delegates raised some concern that philanthropy without mission-aligned investing is inefficient- the left hand of philanthropy having to fix the social and environmental damage caused by commercial investments. UHNWI investing strategies exist on a continuum between purely philanthropic giving to commercial investment. Delegates expressed no consensus as to what the role of either should be in addressing sustainability concerns and the difference between philanthropy and investment in mission delivery became a main theme of the forum.

The role of philanthropy among UHNWIs is substantially influenced by culture. Different wealth brackets, even among UHNWIs, show different levels of giving (with more giving at the bottom and top brackets). Peer influence has a large impact on the amount that UHNWIs give to charity. The tradition of philanthropic giving is stronger in the United States than in Europe - although European delegates were quick to comment on the role of American philanthropy as a surrogate for the welfare state (and that religious giving also obfuscates philanthropy statistics). Delegates posited that a relatively weaker tradition of philanthropy in Asia is due to the volume of local investment opportunities that provide opportunities for both social development and commercial returns.

Delegates suggested that one potential way to delineate the role of philanthropy relative to mission-oriented investment is to consider time horizons for returns. Philanthropy (or any public use of funds for that matter) may not be able to deliver returns or impact on a time horizon sufficiently short to justify investment, however its absence will result in less long-term value and impact being generated in the long term. Mission-oriented investment might then be considered for short- and medium-term opportunities while philanthropy supports long-term value and impact creation.

[4] For more information, see: http://divestinvest.org

Session II: Barriers to progress

The second session sought to explore the key issues preventing financial actors engaging with UHNWIs on the issues of green investment. This highlighted a number of practical bottlenecks stemming the flow of private finance into green investment options, as well as identifying potential solutions to the problems highlighted.

Education and awareness of climate risk

One of the recurrent themes was the lack of awareness among the public, politicians, and financial professionals regarding the problems and risks relating to climate change. Delegates highlighted the existential threat from climate change, arguing that there needs to be greater education within the investment system as to the complex and interdependent risks and opportunities that this poses. One of the key problems highlighted was the failure of scientists to communicate clearly with the investment community, and that despite the overwhelming consensus on the causes and severity of climate change, scientists remain unwilling to take strong positions in order to protect the "dignity of science". This session thus highlighted the need for investors to engage with the scientific literature, understand the risks, and invest accordingly, rather than simply seeing this as a long-term issue that is not relevant to current investment decisions.

There is ongoing confusion surrounding the multitude of terms used to describe 'green investment', including Responsible Investment, Sustainable Investment, Socially Responsible Investing, Impact Investing etc. However, the complexity of the issues and the diversity of approaches should not be an excuse for inaction, and that greater discussion of the definitions of each and practical steps needed to integrate them into investment decisions are needed.

Consultants, and particularly wealth advisors providing advice for UHNWIs, need to become more educated and willing to talk about environmental issues, particularly if they want to keep the business of the next generation of UHNWIs, who are likely to be more interested in these topics and the opportunities for 'green' investment. An ability to outline the financial implications and opportunities resulting from environmental issues will be increasingly demanded from a range of clients, but advisors should also be aware that beneficiaries of trusts are often multiple children with different ethics and interests. In-depth knowledge and open discussions with clients – including an understanding of their risk and return expectations – could facilitate frank discussions of both financial and external considerations, including factors such as climate change. Among those clients that do want to explore Responsible Investment, advisors and investors should make sure that they understand what they mean by this, given the diversity of options and definitions in the market.

Practicalities of 'green' investing

A second major theme to emerge from discussions was the ongoing difficulty in practicing 'green' investment. Once an individual or investment firm had expressed a desire to invest sustainably, there was still a barrier to achieving this. Although screening was seen as an easy way to begin taking environmental considerations into account, measuring the impact of such decisions, or moving to a more integrated approach to green investment was seen as much more challenging. This session highlighted a number of such barriers, including a lack of supply of investable green companies, inadequate disclosure of climate risks facing different companies and countries, and a lack of green products. UHNWIs still require their investors to provide positive returns and outperformance, and there remains a sense within the investment industry that the performance of positive sustainable investments are still unproven, acting as a barrier to demand for these investments. Leaders and investment bodies could therefore be key in sharing case studies of successful investments to encourage and reassure the market towards further integration of ESG factors. Furthermore, this session highlighted issues of cost and scale around green investments; the financial markets are still limited in their green investment capacity and it was felt that many of the existing products have been designed for promotional purposes only, rather than being legitimate investment options. Improving supply of green investment products at a range of sizes and asset classes, and providing clearer definitions on what counts as a 'green' investment were just some of the solutions discussed by delegates.

Regulatory barriers

Linked to the discussions on the difficulty of enacting green investment was the theme of regulatory barriers. There is a significant paperwork burden for advisors, particularly to do with some green investments. This is a major disincentive.

Further, there was discussion during this session about the increasing regulatory engagement on issues of climate change, as evidenced by the NDCs announced at the Paris COP. Investors must now be aware of climate-related regulation impacting potential investment decisions at the supranational, national, and individual asset level, and the way in which discussions around climate change and the carbon budget could affect a multitude of other investments and corporate strategies. However, further engagement with regulators and policymakers is also needed to reduce the uncertainty around the future emissions pathways and support for low-carbon innovations in order to bolster investments in green technologies.

In addition, litigation resulting from a failure to engage on environmental issues was seen as a potential threat to companies and their investors, but also an opportunity to encourage change. Delegates discussed six types of litigation that could be used to mobilise company and investor duties, and highlighted the recent shareholder resolutions against oil and gas majors and the establishment of the Task Force on Climate-related Financial Disclosures to exemplify the impact that investors could have in encouraging change.

Inadequacies of modern financial markets

A fourth major theme was the existence of systemic barriers to the consideration of green investment options as a result of the structure of modern financial markets. One of the major factors in this discussion was the endemic short-termism within the financial markets acting as a barrier to accounting for longer-term issues such as climate change. Quarterly reporting, high frequency trading and momentum investing were all discussed with reference to short-termism and there was frustration among participants that the bulk of equity investing does not pay attention to fundamental value, hindering the attention paid to climate change and other non-financial considerations. This was argued to be a failure of financial market theory, such as the Efficient Market Hypothesis, with delegates arguing for a greater awareness of how finance actually works, including principal-agent challenges and the pitfalls of benchmarking. Long-term private equity venture capital investments, which provide greater freedom against pernicious benchmarking and mark-to-market valuation, could help shield UHNWIs from endemic short-termism.

Session III: Mobilising client demand

While interest in green investment has grown considerably in recent years, the mainstream community of asset owners and managers have yet to commit to green investing as a core strategy. A substantial gap exists between the capital needs of a 2°C-warming compatible transition and the current level of green investing.

Recognising client needs

Participants suggested that many clients are not seeking ESG screening products. Clients are seeking a compelling investment opportunity and do not want to be moralized at. The current marketing and offering of green investment products itself represents a paradigm which must be disrupted in order for green investing to become mainstream.

Participants expressed some differences of opinion regarding the view that mission-oriented investing hurts portfolio returns. ESG considerations should become one of the fundamental drivers of a compelling investment opportunity, rather than the compelling opportunity itself. Clients are motivated by the returns of an investment product and the impact story of the opportunity. This is easier if the impact story is about doing 'more good', rather than 'less bad'. To support these impact stories, green investment offerings must become more specific in their impacts, for example water conservation in a specific watershed, or incremental grid decarbonisation in a specific geography. Disclosure and measurement of impact must follow in order to build confidence in the impact of funds.

ESG investment products are currently sold as a separate specialty offering apart from mainline investment products. Funds and issuers would do well to make their ESG offerings more mainstream – the business and thematic topics are compelling and sales staff do not need to rely on ethical considerations of investors to attract buyers. In order to do this, organisations must build capacity in their own ESG offerings, bringing them out of speciality offices and integrating them with mainline sales teams.

Changing trends in client demand

Part of the emerging demand for green investment products is due to the changing demographics of asset owners, asset managers, and the wider network of stakeholders. A generational shift in wealth from baby boomers to millennials is spurring demand for green investment products and is realigning fund management to be mission-oriented. Women are becoming better represented among asset owners, disrupting an incumbent 'boys club' culture. Organisations must develop better mission-alignment in order to attract and retain mission-motivated millennial workers.

The investment value chain exists in a wider social context which is also undergoing transition in its views on climate change and the environment. Activists are becoming more proficient at targeting 'carbon bombs' and engaging with the finance industry by arguing that carbon intensity is a financial risk. Strong opinions are increasingly emerging about fossil fuel extractive companies as rogue global actors – interfering with political processes and funding the denial or doubt of scientific consensus on environmental issues.

The enthusiasm of UHNWIs for green investment products needs to be informed by research. Research needs to identify where the most impactful investments are needed, but also how UHNWIs can engage on policy issues critical to the effective deployment of capital for the 2°C-warming transition. UHNWIs could potentially engage with policy and corporate leadership on issues like corporate lobbying or overcoming the *Tragedy of the Horizon*[5].

---

[5] Carney, M. (2015) 'Breaking the Tragedy of the Horizon – climate change and financial stability', transcript, *The Bank of England*. Available at: http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx.

Trustees of institutional investors are not empowered to take these activist risks – it could fall to the community of UHNWIs to do so.

Changing product trends

Green investment offerings must become better at identifying and favouring the emerging agents of change, recognising that an ex-fossil investment product is not the same as a green investment product. The research community can help this process by assessing and identifying changing performance in clean tech and the companies which are best positioned to benefit from the transition to a 2°C-warming constrained economy or are most resilient to other environment-related risks. Disclosure, measurement, and reporting must improve in order to overcome transparency barriers, and to unlock science-driven efforts of risk and materiality discovery relative to conventional labelling and classification.

Impact analysis and disclosure is relevant not only for companies and individual securities. MSCI, for example, has recently launched an ESG metrics initiative which assesses the impact of a universe of investible multi-asset class funds. This allows asset owners and managers to assess their ESG risk exposure in ways which may have previously been obfuscated by the aggregation of securities in funds. A critical task of the Task Force for Carbon-related Financial Disclosure[6] is to recommend disclosure practises not just for companies, but also for funds and financial institutions.

There is an on-going trend to invest in private equity and venture capital to deliver growth – even among corporates with many large organisations developing internal incubators and start-up funds. While advanced technology does hold a lot of potential for delivering sustainability outcomes, investors should consider the green credentials of less exotic public-private partnership investments. Certain large public infrastructure projects have substantial environmental sustainability and development outcomes, however these familiar opportunities are often overlooked when investors seek to make impactful investments. Public planners and developers would do well to measure and report the green credentials of their projects in order to access this mission-oriented capital. Similar opportunities are available in local community finance.

[6] See the Task Force on Climate-related Financial Disclosures: https://www.fsb-tcfd.org/

Annex A: Agenda

Friday, 15th April 2016

10:30 – 11:00 **Arrival at The Archive at Windmill Hill, Waddesdon Manor**

11:00 – 11:10 **Welcome and Opening Remarks**
Professor Gordon L. Clark, Director, Smith School, University of Oxford
Ben Caldecott, Director, Sustainable Finance Programme, Smith School, University of Oxford

11:10 – 11:30 **Project overview and preliminary research**
Duncan MacDonald-Korth, Research Associate, Sustainable Finance Programme, Smith School, University of Oxford

11:30 – 13:00 **Session I: Environmental sustainability and the potential role of UHNWIs as asset owners**
Chair: **Diana Fox Carney**, Pi Capital
Panelists:
Sarah Butler-Sloss, Chair, Ashden Trust
Howard Covington, Chairman, Isaac Newton Institute and former CEO of New Star Asset Management
Michael Byrne, Managing Director, Northern Europe, Wealth-X
Emma Howard Boyd, Chair, ShareAction

13:00 – 14:00 **Lunch**

14:00 – 15:30 **Session II: Barriers to progress**
Chair: **Professor Gordon L. Clark**, Director, Smith School, University of Oxford
Panelists:
Jeremy Grantham, Founder, GMO
Kate Leppard, Deputy Head, Wealth Management, Cazenove
James Thornton, CEO, ClientEarth
Paul Woolley, Founder, The Paul Woolley Centre for the Study of Capital Market Dysfunctionality, London School of Economics

15:30 – 16:00 **Tea/Coffee**

16:00 – 17:30 **Session III: Mobilising client demand**
Chair: **Jessica Fries**, Executive Chairman, The Prince of Wales's Accounting for Sustainability Project
Panelists:
Edward Bonham Carter, Vice Chairman, Jupiter Asset Management
Ellen Dorsey, Executive Director, Wallace Global Fund
Naomi English, Executive Director, Head of ESG, MSCI ESG Research
Simon Smiles, Chief Investment Officer, Ultra-High-Net-Worth, UBS Wealth Management

17:30 – 17:40 **Closing Remarks**

Sir Martin Smith, Founding Benefactor, Smith School, University of Oxford

19:00 – 21:30 **Dinner**

Keynote: Professor Dariusz Wójcik, Professor of Economic Geography, University of Oxford

Annex B: Attendee List

Edward Bonham Carter, Vice Chairman, Jupiter Asset Management

Maggie Bradley, Head of Charities, Coutts & Co

Christopher Bullock, Investment Director, Rathbone Greenbank Investment

Sarah Butler-Sloss, Chair, Ashden Trust

Michael Byrne, Managing Director, Northern Europe, Wealth-X

Ben Caldecott, Director, Sustainable Finance Programme, Smith School, University of Oxford

Gordon Clark, Director, Smith School, University of Oxford

Diana Fox Carney, Pi Capital

Howard Covington, Chairman, Isaac Newton Institute and former CEO of New Star Asset Management

John David, Investment Director, Rathbone Greenbank Investment

Ellen Dorsey, Executive Director, Wallace Global Fund

Naomi English, Executive Director, Head of ESG, MSCI ESG Research

Jessica Fries, Executive Chairman, The Prince of Wales's Accounting for Sustainability Project

Jeremy Grantham, Founder, GMO

Parul Grupta, Head of Strategic Asset Allocation, Citi Private Bank

Giles Hargreave, Chairman, Hargreave Hale

Elizabeth Harnett, Research Assistant, Sustainable Finance Programme, Smith School, University of Oxford

Wayne Hawkes, Executive Director, Institutional Client Solutions, Goldman Sachs

Barnaby Horwich, Director, Head of Research, LJ Partnership

Emma Howard Boyd, Chair, ShareAction

Abyd Karmali, Managing Director, Climate Finance, Bank of America Merrill Lynch

Lucas Kruitwagen, Research Assistant, Sustainable Finance Programme, Smith School, University of Oxford

Meena Lakshmanan, Head of Investment Solutions, Vestra Wealth

George Latham, Managing Partner and Chief Investment Officer, WHEB

Kate Leppard, Deputy Head, Wealth Management, Cazenove

Duncan MacDonald-Korth, Research Associate, Sustainable Finance Programme, Smith School, University of Oxford

Roger Manser, Director, Kestrelman Trust

Florence Miller, Director, Environmental Funders Network

Stewart Newton, Chairman, Veritas Investment Management LLP

Marie Owens-Thomsen, Chief Economist, CA Indosuez Wealth Management

Damian Payiatakis, Director of Strategic Development, Barclays Wealth

James Pike, Director and Head of Charities, Waverton Investment Management LLP

Ramsay Ravenel, Executive Director, Grantham Foundation

Helen Roughsedge, GMO, Grantham Foundation

Mark Sainsbury, Chair, Mark Leonard Trust

Lenka Setkova, Executive Director, Coutts Institute, Coutts & Co

Simon Smiles, Chief Investment Officer, Ultra-High-Net-Worth, UBS Wealth Management

Sir Martin Smith, Founding Benefactor, Smith School, University of Oxford

Jens Tholstrup, Director, Oxford Economics and Visiting Business Fellow, Smith School, University of Oxford

Charles Thomas, Head of Sustainable Investments, Jupiter Asset Management

James Thornton, CEO, ClientEarth

Clara Vondrich, Global Director, Divest-Invest

Dariusz Wójcik, Professor of Economic Geography, University of Oxford

Paul Woolley, Founder, The Paul Woolley Centre for the Study of Capital Market Dysfunctionality, London School of Economics

Nicholas Yellowlees, Lister Family Office

Annex C: Reading List

Ansar, A., Caldecott, B.L., & Tilbury, J. (2013) Stranded Assets and the fossil fuel divestment campaign: what does divestment mean for the valuation of fossil fuel assets? Smith School of Enterprise and Environment, University of Oxford. Available at: http://www.smithschool.ox.ac.uk/research-programmes/stranded-assets/SAP-divestment-report-final.pdf

Bank of England (2015) The impact of climate change on the UK insurance sector: A Climate Change Adaptation Report by the Prudential Regulation Authority. Available at: http://www.bankofengland.co.uk/pra/Documents/supervision/activities/pradefra0915.pdf

Bank of England (2015) Breaking the Tragedy of the Horizon – climate change and financial stability: a speech given by Mark Carney, Governor of the Bank of England. Available at: http://www.bankofengland.co.uk/publications/Documents/speeches/2015/speech844.pdf

Caldecott, B.L. & McDaniels, J. (2014) Financial dynamics of the environment: risks, impacts, and barriers to resilience. Working Paper for the UNEP Inquiry into the Design of a Sustainable Financial System. Working Paper. Smith School of Enterprise and the Environment, University of Oxford (Oxford, UK). Available at: http://www.smithschool.ox.ac.uk/research-programmes/stranded-assets/UNEP-SSEE%20Working%20Paper%20-%20Financial%20Dynamics%20of%20the%20Environment.pdf

Caldecott, B.L., Kruitwagen, L., Dericks, G., Tulloch, D., Kok, I. & Mitchell, J. (2016) Stranded assets and thermal coal: an analysis of environment-related risk exposure. Smith School of Enterprise and the Environment, University of Oxford (Oxford, UK). Available at: http://www.smithschool.ox.ac.uk/research-programmes/stranded-assets/satc.pdf

Clark, G.L., Feiner, A., & Viehs, M. (2014) "From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance." Working Paper: Smith School of Enterprise and the Environment, University of Oxford and Arabesque Partners. Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2508281

Ellsworth, P., & K. Spalding (2014) "The 21st century investor: CERES blueprint for sustainable investing", Available at: http://www.ceres.org/resources/reports/the-21st-century-investor-ceres-blueprint-for-sustainable-investing

Generation Investment Management (2012) Sustainable Capitalism. Available at: https://www.generationim.com/media/pdf-generation-sustainable-capitalism-v1.pdf

Krause, F., Backh, W., & Koomey, J. (1989) From Warming Fate to Warming Limit: Benchmarks to a Global Climate Convention (El Cerrito, CA: International Project for Sustainable Energy Paths). Available at: http://www.mediafire.com/file/pzwrsyo1j89axzd/Warmingfatetowarminglimitbook.pdf

UNEP FI (2015) Fiduciary duty in the 21st Century. Available at: http://www.unepfi.org/fileadmin/documents/fiduciary_duty_21st_century.pdf

UNEP Inquiry (2015) The Financial System We Need: Aligning the Financial System with Sustainable Development. Available at: http://apps.unep.org/publications/index.php?option=com_pub&task=download&file=011830_en

SUSTAINABLE
FINANCE

PROGRAMME

Smith School of Enterprise and the Environment
University of Oxford
South Parks Road
Oxford, OX1 3QY
United Kingdom

E enquiries@smithschool.ox.ac.uk
T +44 (0)1865 614942
F +44 (0)1865 614960
www.smithschool.ox.ac.uk/research/stranded-assets/

SMITH SCHOOL OF ENTERPRISE AND THE ENVIRONMENT

UNIVERSITY OF OXFORD