SUSTAINABLE FINANCE PROGRAMME

SMITH SCHOOL OF ENTERPRISE AND THE ENVIRONMENT

UNIVERSITY OF OXFORD

Ultra High-Net-Worth Individuals (UHNWIs), Private Banks, and Sustainable Finance

Working Paper

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About the Sustainable Finance Programme

The Sustainable Finance Programme at the University of Oxford Smith School of Enterprise and the Environment (the "Oxford Smith School") aims to be the world's leading centre for research and teaching on sustainable finance and investment. The Programme was established in 2012 to understand the requirements, challenges, and opportunities associated with a reallocation of capital towards investments aligned with global environmental sustainability.

We research environment-related risk and opportunity across different sectors, geographies, and asset classes; 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 have conducted pioneering research on stranded assets and remain the only academic institution conducting work in a significant and coordinated way on the topic.

The production of high-quality research on the materiality of environment-related factors is a necessary, though insufficient, condition for these factors to be successfully integrated into decision-making. Consequently, we develop the data, analytics, frameworks, and models required to enable the integration of this information. We have particular expertise in asset-level data, spatial analysis, scenarios, and stress tests, and also focus on how information is presented and used.

We also research barriers to the adoption of practices related to sustainable finance and investment. This includes the role of policy, regulation, governance, incentives, behaviours, and norms in shaping investment decisions and capital allocation.

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.

Global Advisory Council

The Global Sustainable Finance Advisory Council has been created to guide our work and is chaired by Professor Gordon L. Clark, Director of the Oxford Smith School. It also provides a high-level forum for work on sustainable finance and stranded assets to be co-ordinated internationally. Members currently include:

Jane Ambachtsheer, Partner and Global Head of Responsible Investment, Mercer Investment
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Mike Clark, Institute and Faculty of Actuaries
Rowan Douglas, Head, Capital Science and Policy Practice, Willis Towers Watson
Professor Robert Eccles, Visiting Professor of Management Practice, Saïd Business School, University of Oxford
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Working Paper Series

This Working Paper is intended to stimulate discussion within the research community and among users of research. The views expressed in this paper represent those of the author(s) and do not necessarily represent those of the host institutions or funders.

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Executive Summary

The entire global population of 212,615 Ultra High-Net-Worth Individuals (UHNWIs) was worth US$30 trillion in 2016, compared to OECD pension funds with assets of US$26 trillion (Wealth-X, 2016; OECD, 2016). The sheer quantities of capital owned by UHNWIs means they possess significant influence in the financial system (Beaverstock, Hubbard and Short, 2004). Moreover, this influence is likely to be even more significant than other asset owner groups due to the complex web of power and influence that some UHNWIs can exercise through the assets and companies they own, as well as through their philanthropy. UHNWIs are also more likely to have relatively greater freedom in deploying capital than other assets owners. For example, pension funds and other large financial institutions must have certain governance structures and processes to ensure that funds are invested in line with fiduciary duties for their beneficiaries.

Despite their significance and growing importance, very little research has explored the financial and economic geography of UHNWIs. To the extent that there is research, it is largely contained in the grey literature produced publicly or for private consumption by companies marketing products and services to UHNWIs (e.g. Knight Frank, Savills, Wealth-X), or limited to academic discussion as to the transnationality of UHNW communities (see: Pow, 2011; Hay and Muller, 2012; Beaverstock and Faulconbridge, 2013).

This working paper makes a significant contribution to understanding how UHNWIs may or may not support the growth and development of sustainable finance – activities intended to finance investments which offer environmental benefits and promote the inclusion of environmental, social, and governance factors in order to enhance investing returns (UNEP, 2016; USSIF, 2017). This is important for mobilizing the capital necessary to tackle climate change and other environmental challenges. This further represents a major gap in the literature, with most of the peer reviewed literature focused on sustainable finance targeting institutional investors (e.g. Croce *et al.,* 2011; Inderst, 2012; Kaminker *et al.,* 2013; Galaz *et al.,* 2015), banks (Bouma, Marcel and Klinkers, 2001; Yeomans, 2005; Aizawa and Chaofei, 2010; Volz, 2014), asset managers (Stefan and Lanoie, 2008; Kidney *et al.,* 2013; Covington and Thamotheram, 2014), and sovereign wealth funds (Richardson, 2011; Litterman, 2010; Reiche, 2010).

The working paper has four overlapping objectives. First, we attempt to reveal the economic geography of UHNWIs. Second, we attempt to understand the intermediaries that match, or help to match, the supply of UHNWI (i.e. asset owner) capital with the demand for capital from asset managers. Third, we try to determine how this information is (or is not) relevant to the growth and development of sustainable finance. Fourth, we set out an ambitious research programme to further understand the role of UHNWIs in capital markets, particularly in relation to sustainable finance. In delivering these objectives we focus on UHNWIs and their advisers in Western Europe and the East Coast of the United States, where the vast majority of our research was conducted. In order to meet these objectives, we undertook extensive primary research in 2015-2016 with both UHNWIs and their private bankers/financial advisers. This research has taken the form of 47 semi-structured interviews, a structured quantitative survey, and a multi-stakeholder research forum.

It is perhaps understandable that UHNWIs represent a significant gap in the literature. They are group that is hard to access, especially for 'outsiders' such as researchers. UHNWIs are typically characterized as having a preference for discretion and privacy, in addition to being guarded by a close network of intermediaries. They are also a highly mobile and transnational group with residences and investments across the globe, all of which makes them very difficult to connect with (Beaverstock, Hubbard and Short, 2004; Hay and Muller, 2012). This working paper will improve our understanding of how a very large proportion of global wealth is allocated and invested. It will also help to determine how this pool of capital can be aligned with the goals of sustainable finance.

Our research finds that while there is a good deal of interest in sustainable finance, UHNWIs are not satisfied with their private bankers' services in this regard. The supply of sustainable investment advice from private bankers to UHNWIs suffers from a number of barriers. On the part of individuals this has to do with a lack of accurate sustainable investment measurement and reporting, as well as inertia on the part of their bankers. For bankers, time constraints, a lack of incentives, and an absence of training on sustainable finance issues are key obstacles. A belief that sustainable investment had lower returns was a key barrier to demand and supply of sustainable investment opportunities for both UHNWIs and their advisers.

We identify a fundamental “chicken and egg” type problem: is the current lack of sustainable finance a supply-led or demand-led issue? Are ultra high-net-worth individuals simply not proving to private banks that they are willing to undertake sustainable investments, and therefore not satisfying banks’ need to know there is a significant fee pool to be earned from development of more products in the space? Or, is it the fault of private banks and other asset managers for not moving quickly enough to capitalize on demonstrable demand from investors? In our opinion, it is some of both, but we believe that the private banking side has much more work to do to alleviate the problem for the following reasons:

First, many advisers to UHNWIs see sustainable investment as an inefficient way to generate fees. Consequently, advisers shun the investment in time it would take to learn about sustainable finance and investment. Incentives and remuneration rationalise this behaviour: they get paid the same fee/commission regardless of what type of investment they offer. Therefore, the more time and effort it takes to offer one investment versus another, the comparatively less profitable it is.

Second, there is the issue of training and education. This problem extends beyond the realm of individual private bankers and extends to the banks themselves and those in the corporate suite. Many private banks do not appear willing to commit the time and resources to train advisors on sustainable finance and investment, even if there was significant demand for such capacity building from those managing client relationships.

Third, there is the issue of regulatory burdens. One consideration raised in the interviews is the “suitability report”, a rule in the UK whereby wealth managers give a justification for their investment advice. There was a view that the justification for sustainable investments would take more time and resources, further reducing the margins that private banks made from their clients.

Fourth, there is a widespread belief in the private banking industry that sustainable investments will likely have a lower return than conventional investments because of their very nature. Since they are inherently seen to have a philanthropic component—doing “good”—it is thought that they will likely return less than a comparable conventional investment. This view was pervasive and has a profound impact.

Fifth, there is strong bias amongst bankers towards putting client capital in investments which they view as safe, and that is not at all how they think about sustainable finance. Thus, private bankers have made a habit of excluding sustainable products from client portfolios.

Despite this, there appears to be positive movement. Our research, in line with other literatures (e.g. US Trust, 2015; Wursthorn, 2017a), found that there is a common view in the market that demand for sustainable finance is likely to increase dramatically in the coming decade as more women and a younger generation inherit more wealth. Furthermore, a number of private banks and asset managers do appear to be increasing the supply of sustainable finance options, including green bonds and sustainable ETFs, although this needs to be scaled up, and enabled through greater education of banking staff and their clients regarding the opportunities and risks of sustainable finance.

Thus, our view is that sustainable finance is likely to experience a surge of popularity in the next decade, as the economic incentives for private banks and asset managers wins out over the institutional constraints and inertia currently seen in the sector. To help speed up this shift towards sustainable finance, we have produced recommendations, based on this working paper, for different actors.

Recommendations

1) For UHNWIs with a preference for sustainable finance

We found that the sustainable finance offerings from private banks differed significantly from firm to firm, so we recommend that UHNWIs pay close attention to the sustainable finance services offered by their private bankers when initially choosing their bankers, and throughout the relationship. Private banks might not necessarily advertise all the offerings available due to the siloing of sustainable options and the lack of incentives to provide sustainable investment advice.

We found that private bankers often try to avoid sustainable finance options due to a lack of expertise, and perceptions of higher costs and lower returns. We recommend that UHNWIs who have a strong preference for sustainable finance put pressure on their private bankers to provide suitable offerings, and emphasize their strong preference rather than allow private bankers to dictate investment priorities. UHNWIs might have to be prepared to end their relationship with banks and advisers if they are unhappy with the quality and quantity of sustainable finance advice. This dissatisfaction seems to quite easily arise due to complacency within some private banks.

We found that there is still a considerable debate among individuals regarding the financial viability of sustainable finance options, and a lack of education around the financial materiality of environmental issues. As such, we recommend that UHNWIs interested in sustainable finance take the time to educate themselves with reference to the literature which supports the need for sustainable finance and the potential for positive returns, so that they can argue strongly for sustainable investment, whether against private bankers or within their own family.

2) For private banks catering for interested UHNWIs

Our research has shown that there is a substantial group of UHNWIs who have an active interest in the sustainable finance sector and are eager to receive more advice in the area. We thus recommend that private bankers begin earnestly exploring the priorities of their own clients, invest in the education of bank staff to better respond to client requests, and develop sustainable finance products when demand is identified.

We found that sustainable finance experts often remain siloed from mainstream private banking teams. We would encourage private bankers to create better connections with sustainable funds and product providers, and to foster better coordination with other financial institutions in order to offer a broader range of sustainable investment opportunities, including in both developed and developing markets.

Our research has highlighted the industry belief that the sustainable finance industry is set to grow rapidly over the next two decades as younger generations inherit wealth. Younger generations, in particular Generation X and Millennials, have a much higher interest in sustainable finance than their Baby Boomer parents, and considering the trillions of dollars which will be passed down, we believe private banks should consider this to be a major business catalyst for sustainable finance.

3) For organisations concerned with asset owner capital flowing to support sustainability

We recommend that further research is conducted into the demand and supply of sustainable finance among UHNWIs, and that greater engagement is focused on this group of actors who have significant financial and political capital. Our working paper outlines five key barriers to further demand from UHNWI, namely measurement and reporting, a generational gap, skepticism over returns, importance versus other concerns, and inertia on the part of private bankers.

Our research shows clearly that more advice and education is needed on both the parts of UHNWIs and private bankers, so organisations looking to promote more sustainable finance would do well to engage directly with these actors and fill these knowledge gaps. We consider the demonstration of demand and better education of all parties to be the keys which will unlock more sustainable finance.

4) For researchers

Both private banks and UHNWIs are poorly covered in the literature and we hope that our working paper will serve as a starting point for developing novel research along three different themes. Firstly, we would recommend researchers explore further our elucidation of the importance of geography in determining the focus and location of UHNWI investments. Secondly, we hope that our study of the function and incentives of private bankers serves as a gateway for more research on this growing and important part of the investment value chain. Finally, we recommend that further research explores the current barriers to private banks undertaking more sustainable investment on behalf of their UHNWIs clients and examines the regulatory, educational, institutional and socio-cultural options available to reduce these barriers.

Geographically, we recommend that our research can be extended through the study of three other distinct geographic areas that our research has highlighted as potentially interesting.

- Firstly, this research could be expanded to the US West Coast, where a special relationship exists both between UHNWI clients and private bankers as well as with sustainable finance. In particular, this area sees a great deal of proactive private market venture-style investment, and more needs to be done to understand the forces driving that trend.

- Secondly, in the Middle East, where energy priorities are changing quickly. Our preliminary research indicates that the unique mix of fossil fuel reliance and Islamic finance will provide a sharp contrast to the relationships between private banker and sustainable energy seen in Europe and the US.

- Finally, to East Asia, in particular Japan and China. In the case of the former, the capital markets there have only recently "awakened" to sustainable finance and uptake appears to be at a nascent stage. China, by contrast, has become very focused on enabling sustainability.

1. Introduction

The entire global population of 212,615 Ultra High-Net-Worth Individuals (UHNWIs) was worth US$30 trillion in 2016, compared to OECD pension funds with assets of US$26 trillion (Wealth-X, 2016; OECD, 2016). These figures are the outcome of a rapid buildup in wealth amongst the world's richest over the last three decades, but particularly over the last decade, with the total population of UHNWIs growing 61% between 2005 and 2015 (Knight Frank, 2016). Low interest rates and Quantitative Easing (QE) following the Global Financial Crisis have helped to boost asset prices, which has had an outsized impact on the portfolios of the world's wealthiest (Piketty, 2014). The sheer quantities of capital owned by UHNWIs suggest that they may possess significant influence in the financial system (Beaverstock, Hubbard and Short, 2004). Moreover, this influence is likely to be even more significant than other asset owner groups due to the complex web of power and influence that some UHNWIs can exercise through the assets and companies they own, as well as through their philanthropy. UHNWIs are also more likely to have relatively greater freedom in deploying capital than other assets owners. For example, pension funds and other large financial institutions must have certain governance structures and processes to ensure that funds are invested in line with fiduciary duties to their beneficiaries.

Despite their significance and growing importance (an UHNWI, Donald J. Trump, is President of the United States), very little academic research has explored the financial and economic geography of UHNWIs. To the extent that there is research, it is largely contained in the grey literature produced publicly or for private consumption by companies marketing products and services to UHNWIs (e.g. Knight Frank, Savills, Wealth-X), or limited to academic discussion as to the transnationality of UHNW communities (see: Pow, 2011; Hay and Muller, 2012; Beaverstock and Faulconbridge, 2013). In contrast, much more work has been produced in the economic geography literature on pension funds (see: Sullivan and Mackenzie, 2006; Juravle and Lewis, 2008; Sievanen, 2014) and banks (Beaverstock and Smith, 1996; Wrigley *et al.*, 2003; Wójcik, 2012). This gap in the literature will be addressed in Section 3 of this working paper.

In the institutional investment landscape, the role of intermediaries, particularly investment consultants that match pension fund capital with asset managers has been identified as important for understanding and shaping how institutional investors behave (Caldecott and Rook, 2015). We hypothesize that the analogue in the case of UHNWIs are their private banks and associated advisers. However, there is very little in the public domain or academic literature on the eco-system of advisers serving UHNWIs, the advice they receive, and the nature of these transactions. Consequently Section 4 of this working paper will focus on uncovering and better understanding this relationship.

This working paper also makes a contribution to understanding how UHNWIs may or may not support the growth and development of sustainable finance – activities intended to finance investments which offer environmental benefits and promote the inclusion of environmental, social, and governance factors in order to enhance investing returns (UNEP, 2016, USSIF, 2017). This is important for mobilizing the capital necessary to tackle climate change and other environmental challenges. This further represents another major gap in the literature, with most of the peer reviewed literature focused on sustainable finance targeting institutional investors (e.g. Croce *et al.*, 2011; Inderst, 2012; Kaminker *et al.*, 2013; Galaz *et al.*, 2015), banks (Bouma, Marcel and Klinkers, 2001; Yeomans, 2005; Aizawa and Chaofei, 2010; Volz, 2014), asset managers (Stefan and Lanoie, 2008; Kidney *et al.*, 2013; Covington and Thamotheram, 2014), and sovereign wealth funds (Richardson, 2011, Litterman,, 2010; Reiche, 2010). This contribution of studying UHNWIs and their private bankers' engagement with sustainable finance topics will be the focus of Section 5.

The working paper therefore has four overlapping objectives. First, we attempt to reveal the economic geography of UHNWIs. Second, we attempt to understand the intermediaries that match or help to match the supply of UHNWI (i.e. asset owner) capital with the demand for capital from asset managers. Third, we try to determine how this information is (or is not) relevant to the growth and development of sustainable finance. Fourth, we set out an ambitious research programme to further understand the role of UHNWIs in capital markets, particularly in relation to sustainable finance. In delivering these objectives we focus on UHNWIs and their advisers in Western Europe and the East Coast of the United States, where the vast majority of our research was conducted. In order to meet these objectives, we undertook extensive primary research in 2015-2016 with both UHNWIs and their private bankers / financial advisers. This research has taken the form of 47 semi-structured interviews, a structured quantitative survey, and a multi-stakeholder research forum.

It is perhaps understandable that UHNWIs represent a significant gap in the literature. They are group that is hard to access, especially for 'outsiders' such as academic researchers. UHNWIs are typically characterized as having a preference for discretion and privacy, in addition to being guarded by a close network of intermediaries. They are also a highly mobile and transnational group with residences and investments across the globe, all of which makes them very difficult to connect with (Beaverstock, Hubbard and Short, 2004; Hay and Muller, 2012). We therefore used a "snowballing" approach to target interviewees and a "close dialogue" interview method to best understand them (Clark, 1998; Atkinson and Flint, 2001). By revealing more about their role as asset owners, their geographies, and networks, this working paper will improve our understanding of how a very large proportion of global wealth is allocated and invested. It will also help to determine how this pool of capital can be aligned with the goals of sustainable finance.

1.1 Notes on terminology

Although there are other measures, such as a $20m+ threshold used by Morgan Stanley, for the purposes of this working paper, we took the more common industry definition of an UHNWI to be "an individual whose liquid (investable) assets meets or exceeds $30m" (Wealth-X and UBS, 2013). The figure, importantly, does not correlate to other prevailing measures, like the US' "accredited Investor", and calculation of income and home values are not taken into consideration.

In this working paper we use "private bank" and "wealth management" interchangeably, as well as the terms "private banker", "wealth manager", and "financial advisor". These terms are blurry, even as used by professionals in the industry, and their usage is dependent upon geography and the individual preferences of the speaker. In the very strictest sense, "wealth management" is the broadest term, encompassing all the services a firm could offer a client, while "private banking" can also mean the same thing, but does not necessarily entail a relationship involving investing a client's wealth. "Financial advisor" is another vague term that simply refers to any service provider dealing with investment. In practice, these terms are so overlapping that their distinctions are insignificant for our purposes, so we have adopted the terminology of our research participants, who predominantly use the term private bank(er).

Another area in which there is a broad range of nomenclature relating to similar issues is within the realm of 'sustainable finance'. This term is broadly used and refers to a variety of different investing approaches including Socially Responsible Investment (SRI), low carbon investment, green finance, and Environmental, Social, and Governance (ESG) integration. For a more in-depth discussion regarding the range of terminology in this space, see Caplan et al. (2013) and Viviers & Eccles (2012). While the different subcategories may be diverse, the sustainable finance space has gained prominence in recent years, with a large expansion in the type of products available (e.g. the three largest ETF providers—BlackRock, Vanguard, and State Street—have all released numerous sustainability funds in recent year). Simultaneously, UHNWIs have started to show an interest in the space—for example wanting to directly or indirectly support social or environmental objectives through their investments, while simultaneously generating an appropriate risk-adjusted return across their portfolios. We have chosen to refer to 'sustainable finance' and 'sustainable investment' interchangeably, and use this in its broadest sense to refer to a range of approaches designed to manage or take advantage of the risks and opportunities associated with sustainability and environmental change, as well as investments approaches aimed at changing environmental outcomes, in particular climate change.

2. Methodology

The primary challenge of our research was identifying and connecting with research participants. Literature shows that connecting with business people and "elites" is a paramount challenge for academic researchers (Thomas 1993; McDowell 1998; Harvey 2010). We thus adopted multiple research techniques to ensure an appropriate range of participants. We designed a multi-faceted study composed of both quantitative and qualitative elements. Overall, our study is comprised of in-person interviews, a qualitative survey distributed to both UHNWIs and private bankers, an all-day forum with both UHNWIs and advisers in attendance and numerous industry-leading panelists, as well as an extensive literature review of existing academic and industry research. Our research was primarily focused on the UK, but we did have a significant minority of research participants from Western Europe and the USA. The research began in November 2015 and continued until April 2016.

Our research was completed with the official approval of the University of Oxford's Central University Research Ethics Committee. All our informants were informed prior to the start of any discussions that their comments would be kept strictly confidential and anonymous, unless approved in writing, with all data being kept in protected systems. Only written recordings of the interviews were taken, due to the sensitivity of the opinions and positions of those being interviewed.

2.1 Interviews

On the qualitative side, we conducted 47 semi-structured interviews with UHNWIs and private bankers, mostly in person (35 total), with a minority occurring via telephone (12 total). Accessing ultra high-net-worth individuals is very difficult for several reasons. Firstly, they are a small and disparate group, scattered across the world and in different industries. Secondly, their wealth often means they have little professional incentive to interact with researchers, not least because exposing themselves to such enquiry could open them to public scrutiny and criticism. And thirdly, they are hard to access simply because they often have a network of individuals around them working to filter out the many unsolicited enquiries they receive on all manner of topics. Figure 1 shows that 42 (89%) of our interviewees were UK-based[1]. However, this high percentage needs to be tempered by the reality that the UK is a hub for financial services and attracts many foreign nationals and their capital. This means that many of the UHNWIs domiciled in the UK are not actually British citizens. The remainder of interviewees were based in the US, Scandinavia, and Switzerland and interviews for this group were conducted via phone. Interviews lasted between 30 minutes and 90 minutes, with an average of 50 minutes.

Investor Type	UK	US	Switzerland	Scandinavia
UHNWI	12	1	0	1
Private Banker	23	0	2	0
Fund Manager	7	1	0	0
Total	**42**	**2**	**2**	**1**

Figure 1, Interview Participants by Location and Job Type

Using Rice (2010) as a model, we employed a business-like "insider" technique to build a base of research participants. Our initial target list of UHNWIs came from our existing contacts. We then adopted a "snowballing" approach (Atkinson and Flint, 2001). We found many of our initial participants were willing to suggest other contacts who could participate, so after each interview we would ask for any introductions our participants could make. This was effective in securing a broader range and number of interviews, but it did

[1] We define a UHNWI's 'base' as the location of their principal investment accounts, or their self-identification as domiciled in a certain city/region/country.

have significant limitations, including only being able to recruit like-minded participants and those with very similar professional and geographic backgrounds. As such, the approach, like many other qualitative business studies, utilized convenience sampling rather than systematic sampling (Eriksson and Kovalainen, 2008). Accordingly, our findings are not presumed to be representative of the communities we are researching as a whole, but rather just a small subset from which to draw out themes and trends which can be commented upon. In particular, our interviewee pool was inevitably positively biased towards those who have strong feelings about climate change and sustainable finance. The Oxford Smith School, where the authors are based, has a network largely consisting of those biased towards wanting more sustainable finance to take place.

However, this bias was mostly evident on the part of our UHNWI participants. The other side of our qualitative research was interviews with private bankers and financial advisers themselves. On this front we initially secured interviews with some of the advisers to UHNWIs through snowball sampling, but we also then contacted firms directly and requested interviews with bankers via this method. This allowed us to access advisers who were in no way directly involved with sustainable finance, and who could give us more balanced views about their role within the investment industry.

The question pool for our interviews was developed in three ways. Initial questions were designed following background research from academic and “grey” literature. These were then honed via consultations with other researchers who had experience in qualitative studies in the investment space. Finally, we held informal conversations with a number of long-standing investment professionals and other intermediaries to narrow our questions to the most relevant. As in any research study, our focus shifted once we began the formal interview process and our questions evolved as we discovered key themes[2].

2.2 Survey

In order to “triangulate” the findings from our interviews, we designed a digitally disseminated survey (McDowell, 1998). While it has long been observed that surveys have significant shortcomings, such as “reducing the complex matter of people’s attitudes, wishes, aspirations to some simple wording that will not bias the returns” (Payne, 1951), we felt it important to provide a broader response rate than possible through in-person interviews.

We created a 40-question survey which was distributed to hundreds of UHNWIs and advisers. The survey was split into two separate parts—a 20 question section for UHNWIs, and a 20 question section for private bankers and advisers. See Appendix 2 for a full list of questions. The survey asked basic questions—such as average account size, average length of relationship with adviser/client, but it also dug further. For UHNWIs, the focus was on the amount of information and advice they had received, how they felt about sustainable finance, whether they were satisfied with their adviser’s efforts, and whether (and how much) they had invested in the sustainable sector. For advisers, the focus was on training, client interest in sustainability, the support level of their firm, time commitments, and incentives. The survey was designed to add a statistical support base to our qualitative interviews, with questions based on our literature review and interview results. In total, we had 18 respondents to the survey, comprised of 5 UHNWIs and 13 private bankers. We were disappointed with the level of participation, however we believe the difficulty in attracting responses confirms our view that it is extremely challenging to access UHNWIs for academic research purposes.

2.3 Research Forum

Finally, in order to tie our research together we hosted a full-day research forum in April 2016. This was attended by more than 50 ultra high-net-worth individuals, private bankers, and intermediaries. The conference was well received by the attendees, and in addition to the important insights from key speakers, it sparked a great deal of in-depth discussion on the topic which was useful in both diversifying and solidifying the data and

[2] See Appendix 1 for list of interview questions.

findings from the interviews and survey. In particular, we were able to share our preliminary findings with attendees, and garner their thoughts as to how representative these were of the wider communities in questions, as well as hear opposing views and alternative explanations for the results we had gathered. We were also able to use this event to set up further research interviews, particularly with advisers from large firms who were not in any way officially affiliated with any sustainable finance activities. The summary of proceedings from the forum can be found in Kruitwagen, Harnett and Caldecott (2016).

2.4 Data Analysis

In terms of the approach of our research, we have been guided by the notion of "close dialogue" (Clark, 1998). "Close dialogue" relies on "structured and unstructured interviews in the context of relationships between nominal equals to reveal the actual logic of decision making" (Clark, 1998). Understanding an informant's logic is the goal of close dialogue, and research is characterized by intense personal interaction to better discern the perspective of the interviewee and all the various inputs into their decision-making. In order to investigate a field as multivariate, philosophically-, and culturally-informed as sustainable finance and private wealth decisions, we wanted a nuanced and sophisticated approach. We needed to deeply and fundamentally understand the perspectives of both UHNWI and their bankers, both of whom bring an array of concerns and considerations (e.g. family, returns, ethics, philanthropy, compensation, financial security etc.) into their investments and services. Therefore, "close dialogue" offered us the best opportunity to holistically understand the position of our multi-faceted research participants. This method was deemed more appropriate than a more in-depth ethnographic approach, considering that UHNWIs and their private bankers have limited spare time and often place great regard on their own privacy and anonymity. Following our interviews we coded participants' responses by topic and then distilled them down into a handful of key themes which we will address throughout the working paper.

2.5 Reflections on Methods

We believe our approach was the best one available given the nature of the questions being asked, and allowed us to obtain both qualitative and quantitative results from a difficult-to-access group of individuals. Using this range of methods we were able to garner specific data regarding economic geographies, advisory relationships and use of sustainable investment products, but this quantitative information was enhanced and explained further through the context and opinions of UHNWIs and their advisers through qualitative insights. Although our sample is limited (to 47 interviews and only 18 survey responses), this further highlights the scale of the challenge of connecting with ultra high-net-worth individuals and private bankers. This supports existing literature on the difficulty of accessing these groups, and helps to explain the limited nature of existing academic research (both quantitative and qualitative) focusing on these actors. We therefore believe that our approach was the most effective one we could have used given the significant constraints faced.

3. The Economic Geography of UHNWIs

The economic geography of UHNWIs is thus far under-represented in academic literature. This working paper seeks to highlight a few of the reasons behind this, offer novel insights from our interviews, and contribute a research framework to further close this gap in the existing literature.

It is notoriously difficult to quantify concretely the "geography" of the UHNWI population (Beaverstock, Hubbard and Short, 2004). This has contributed to the difficulty in establishing a consistent and robust literature around UHNWIs. For example, the proliferation of tax havens around the world, including both on-shore and off-shore financial centres, has increased the difficulty in calculating and accurately reporting incomes, particularly of the wealthiest parts of society. The ability to move human and financial capital around the world makes tracking personal wealth and corporate profits particularly difficult (Zucman, 2014), with the implication that "rich lists" suffer from severe limitations (Beaverstock, Hubbard and Short, 2004). High-net-worth individuals have been shown to be extremely internationally mobile, often owning many properties throughout the world, further limiting the relevance of data which seeks to isolate them into a single location (Beaverstock, Hubbard and Short, 2004; Pow, 2011).

Although academic research has often struggled with the notion of the geographies of the 'super-rich', many financial industry reports have sought to provide the data behind such inquiries. For example, a report by the Boston Consulting Group on UHNWIs, estimated that there were 15,000 households[3] globally who fell into the ultra high-net-worth category in 2014 (Boston Consulting Group, 2015). Of this group, 5,000 lived in the US, with China, Britain, and Germany following. This finding was similar to that of a similar report by Savills (2014), which found that 35% of global UHNW wealth was located in North America, followed by 28% in Europe and 24% in Asia.

In terms of cities, New York and London are still the top two cities for UHNWIs, as with finance more generally (Wójcik, 2013), and it is for this reason that we have focused our own study in Europe and the USA. However, the past decade has seen strong growth in the number of UHNWIs in Asian financial centers, including Tokyo and Singapore. As of 2015, New York has 5,600 UHNWIs, while London has 4,905. Tokyo and Singapore both have over 2,000 (Knight Frank, 2016). Some cities, like Moscow, have lower overall levels of wealth (e.g. 76,100 HNWIs versus New York's 320,000) but a relatively high concentration of UHNWIs (3,457) (Knight Frank, 2016). Furthermore, certain cities in the Middle East and other Emerging Markets have seen a rapid growth in, and attraction of, the super-rich. As such, the geography of UHNWIs is constantly changing, reflecting changing demographic, financial, and economic trends.

In terms of demographics, the average age of an UHNWI is 62 (Boston Consulting Group, 2015). Generationally, the Baby Boomer generation, born from 1945-1962, dominates the ultra high-net-worth landscape. Furthermore, a report by Wealth-X and UBS (2013), found that 88% of the world UHNW population is male, which corroborates our own research findings and sample, which was 93% male.

One of the key variables between ultra high-net-worth individuals relates to their backgrounds. 65% of the world's UHNW population are self-made, compared to the remaining 35% who have inherited their wealth (Wealth-X and UBS, 2013). Gender comparisons are also interesting with regards to the origins of wealth, with men much more likely to have self-made their wealth than women, with 70% of men being self-made versus 33% for women. There is also a geographic divide in wealth backgrounds: in developed countries, the wealthiest UHNWIs tend to have financial, technological, or industrial backgrounds, while in emerging market nations, extractive industries and raw materials dominate.

[3] Though this number is likely to be higher than other calculations, as Boston Consulting Group defines a UHNWI as an individual having $100m in liquid financial wealth, compared to the more widely utilized $30m.

Despite the existence of such details about the location and background of UHNWIs, the academic literature on the subject tends to problematize this data. Beaverstock (Beaverstock, Hubbard and Short, 2004; Beaverstock and Faulconbridge, 2013) has argued that confining high-net-worth individuals to a particular geography is meaningless because of their mobility, whilst others (Rice, 2010; Hay and Muller, 2012; Burrows, 2013) contend that "localization" is still an important factor. Ley (2004) utilizes the example of a Chinese expatriate to highlight the relevance of the local in the affairs of UHNWIs. He describes a Chinese UHNW entrepreneur who owns a home and has moved his family to Vancouver, yet retains all of his business affairs in China. He may be considered Canadian in a sense, but his skill set and the business connections which enable his income are all still based in China, rendering him highly "localized" but across different continents. Furthermore, this example demonstrates that the generational economic geography of UHNWIs is likely to vary over time; whilst the UHNWI in question has his expertise based in China, that of his children is likely to be focused in North America. This emphasizes our own point of view, that the economic geography of this group continues to be important in defining the experiences, opinions, and investment practices of the individual.

While the literature we have explored so far has focused on the local versus transnational debate, others argue that wherever they are, UHNWIs create their own unique geographies. Hay (2013), for example, contends that UHNWIs quarantine themselves off from the rest of society, either through security guards, gated communities, road barriers, or other obstacles. In particular, Hay (2013) uses the example of Miami's Fisher Island, the United States' wealthiest postcode. Located near Miami Beach, the island is fully isolated from the city, as it is only accessible by water or air despite being just a few hundred meters offshore. 156 out of 164 homes on the island have values above $1m, and everyday service providers must use a ferry to get to their jobs providing for HNWIs. In 2007, such workers sued the island's residents for a "plantation culture", alleging racial discrimination and poor treatment. Hay (2013) builds on this case to make the argument that when the rich isolate themselves from society, they are not just doing so physically and geographically, but emotionally and practically. Accordingly, Hay argues that the rich can thus wall themselves off from the less agreeable aspects (e.g. poverty, inequality) of the 21st Century capitalist system of which they are apart. Pow (2011) adopts similar themes when exploring the gated communities of Sentosa Cove in Singapore, but further seeks to problematize the transnational vs. localized debates within the academic literatures by arguing that new geographies of wealth, privilege and exclusion are developed through transnational communities acting within secluded gated communities. We will assess whether this isolation extends to the investment decisions of UHNWIs, examining the geography of their investment practices to assess the extent to which these individuals participate in the private or public realm, and in local or global economies.

3.1 Research Results

Our interviewees matched the demographics and statistical observations in the literature review very closely. Most of the UHNWI we interviewed were male (93%, or 13 out of 14 UHNWI interviewees), and even in families, it was often a male patriarch who controlled the investment portfolio. In terms of location, 12 out of 14 UHNWIs were based in the UK. Given that our particular line of study regarded sustainable finance, and UHNWIs' relationship to it, we would like to draw on the geography presented to highlight some relationships we came to understand through our research.

The first relationship we found was that the specific background that ultra high-net-worth individuals come was a key consideration for their interest level in sustainable finance. As we have already mentioned most UHNWI investors come from the finance, technology, and industrial industries, which is what we might have expected given our geographical focus in Western Europe and the USA. The key industry missing from our sample group is energy. This could be due to geography, with the energy sector, in particular extractive industries, a major driver of global wealth but often focused in the emerging markets, Russia and other geographies outside of our research. Another observation, however, is that individuals who made their wealth in extractive industries might be less likely to be involved in sustainable finance and therefore willing to take part in our study. To fully understand this relationship, further research is necessary.

Secondly, our research highlighted that there are also vast differences between the economic and geographic investment opportunities available based on the total amount of wealth a family or individual has. Ultra high-net-worth individuals often suggested that they have access to the most diverse investing opportunities of investors overall. However, even within this group there are big differences in offerings and behaviour, with geography also playing a role in affecting access to markets and the best advanced business services (including private bankers, accountants and lawyers). Interviewees commented that while those with less than $1m in investable assets would be confined almost entirely to easily accessible public market vehicles, such as mutual funds or ETFs with high levels of liquidity, someone who qualifies as an ultra high-net-worth individual, having $30m or more, would have greater access to bespoke offerings. This is likely to include a broader range of geographic and asset class opportunities, and bespoke investment screens and products as a result of different risk profiles and the greater attention afforded this type of client by private bankers due to fee structures.

Furthermore, once one gets over the $100m mark, and especially over $500m, there are even more investments to consider. Specifically, private market investing opportunities become available. Large-scale investment in sustainable agriculture, large tract solar power, and wind energy are just a handful of examples identified by our interviewees of the types of sustainable investment opportunities that become available at this level. Instead of avoiding "bad" companies, the super wealthy have a greater ability to proactively choose to invest in companies they see to be doing "good", or create their own sustainable business. Several interviewees commented on these themes. For example, one London-based private banker said that one of his ultra-wealth clients had bought huge tracts of land in equatorial Africa in order to setup a sustainable plantation—an opportunity he said would not have existed without the large capital availability of his client and the services of his private bank. Another very wealthy ultra high-net-worth family told us they had ample opportunities to invest in proactive young sustainable companies on the US West Coast, and reported that such investments would not have been possible without their bankers' help and their own ability to meet funds' investment minimums. This is an area where the wealth of an individual has a two-fold effect on the geography of their investments. Firstly, they are able to meet the capital requirements of funds in different jurisdictions and at different scales, many of whom do not want the administrative complications of dealing with relatively smaller sums of money, and secondly, the fee level their wealth offers a private banker can afford to pay for the bespoke attention that cross border investment demands (e.g. tax complications, currency buying/hedging etc.). As such, the greater the wealth, the greater the opportunity for positive 'impact', and the broader the geographic scope and scale of investment opportunities available. This notion complicates Hay's (2013) argument that the rich wall themselves off from society, as while they do have the increased ability to insulate their homes and daily routines from the public, they also have an outsized ability to engage with and influence society via their investment portfolios.

Thirdly, we examined whether there was a significant 'home bias' and geographic divide in the investment practices of UHNWIs. Wójcik (2009) found that there is a significant "home bias" in equity listings, with companies much more likely to become publicly listed if they are near financial centers and investors more likely to invest in local stock exchanges than those abroad. We were curious as to whether this same bias was evident for our UHNWI investors. Anecdotal interview evidence from private bankers and UHNWIs showed that where investors live does affect where they invest, and also how they invest. UK investors in our sample seemed to be the most open to a global investment pool, with a majority of our interviewees actively pursuing such opportunities, where as those in the US tended to have a US-centric portfolio of investments, perhaps a function both of a home bias and the greater range of opportunities and investments available in their 'home market'. While private market investment does tend to be much more prevalent amongst the wealthiest of UHNWIs, there are significant differences based on geography, with our research identifying differing investing attitudes and practices between the interviewees based in Europe compared to the US. The UK and Europe, especially Northern Europe, tended to be very focused on large-scale public market investment. Both in screening out "bad" companies, and in proactively investing in "good" ones, European investors tended to be much more comfortable operating in publicly traded companies than their American counter-parts, who appeared to be much more willing to seek out and invest in small, young, sustainable companies primarily in the United States. However, the transnational nature of the UHNW communities means that individual preference for investment geography will likely have a significant impact on their portfolio choices, with individuals living and working in multiple jurisdictions perhaps likely to experience 'home bias' in more than one market. More research is needed to confirm these initial findings, including an understanding of the availability of such private investment opportunities in each market, and the willingness of private bankers to advocate for and facilitate such investments.

3.2 UHNWI Geography and Investment Conclusions

Our study of ultra high-net-worth individuals has supported the limited academic research on this topic, finding that geography does matter in the world of investment practices and preferences of UHNWIs. We found that the investment opportunities and preferences varied by geography and the size of assets held by UHNWIs. Furthermore, industry background—itself affected by geography— had a significant influence on investment preferences, and willingness to engage with sustainable finance topics. Thus, we suggest that these findings identify the importance of geography in determining investment practices of UHNWIs, but that more research needs to be done to understand the as-yet under-studied relationships between geography and investment of UHNWIs. While much has been written about the physical location and transnationalism of UHNWIs, little literature has explored the investment implications of these trends and the geography of this investor group. Although we have contributed to filling this gap, further research is needed to explore the individual and collective experiences of UHNWIs, with the transnational nature of these individuals (and their investments) making them a particularly interesting research topic for economic geographers.

4. Private Bankers

As discussed previously, UHNWIs very often rely on private bankers to manage and grow their wealth. This group of actors can thus be seen to have a powerful ability to mobilize a large capital pool on behalf of their clients, with private banking representing an important industry within the finance sector, with the US market alone generating $58bn in revenues in 2015[4] (IBISWorld, 2015). However, there is still relatively little known about private bankers as actors in the financial system and their exact roles and responsibilities. As such, this section of the working paper seeks to add valuable insights from our interview and survey research to examine the role of, and perceptions about, private bankers. Figure 2 allows us to visualize the ecology of private bankers in the financial industry, and the research participants we have engaged with. Although the Private Wealth Management business experienced massive devaluations of client assets in the wake of the financial crisis, which encouraged low-risk investments and eroded revenue from asset- and performance-based fees, the industry has rebounded in recent years due to strong growth in the stock market, and is expected to grow around the world as the number of HNWIs continues to expand in the coming decade (IBISWorld, 2015).

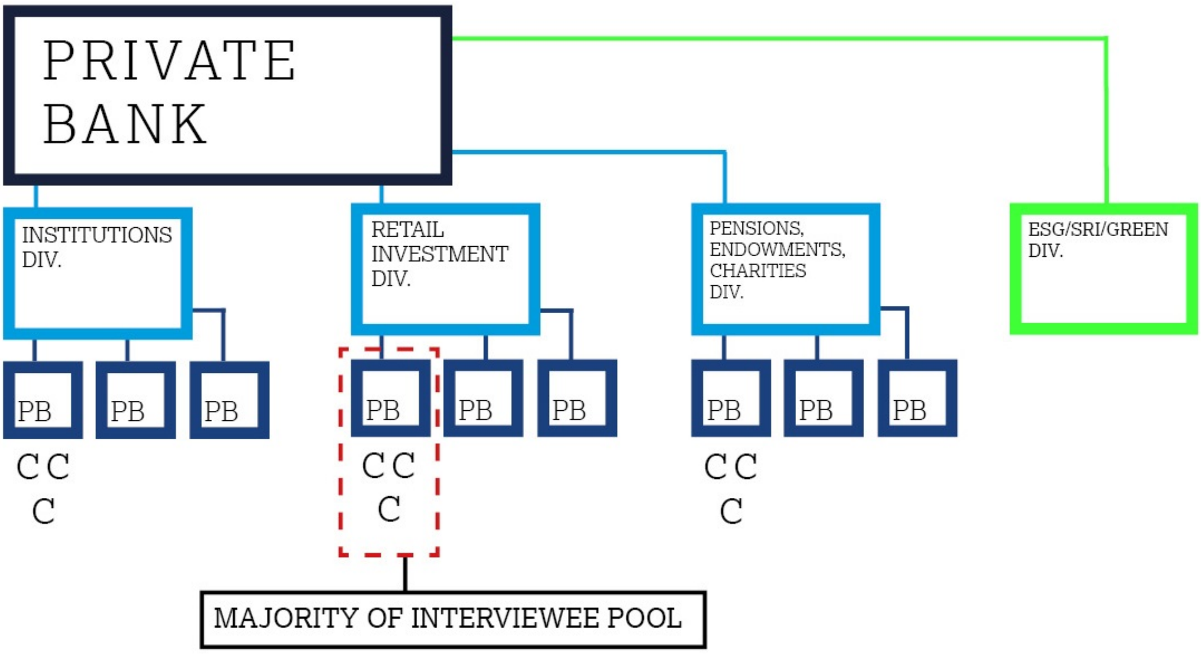

Figure 2, Structure of a Private Bank, by authors. "PB" stands for private banker, "C" stands for client.

Over the last thirty years, private banking in the UK has changed remarkably, shifting from an "old boys" network that found business through long cultivated trust-based relationships that extended back to school years into a business extending from the high street and across the globe with London at its center (Beaverstock 2012). Rather than being an industry dominated by a handful of old firms formed to service a small number of "old money" families, a globalized industry servicing a much more diverse audience, including an emerging class of "financial elites" has grown. Thus this group of actors has reacted to the globalization of the financial industry, catering to the growing wealth in the emerging markets as well as the developed world, thereby expanding the economic geographies of the industry (Dicken, 2011).

[4] IBISWorld (2015) define a Private Bank as those banking institutions that 'actively manage wealth for clients with investable assets exceeding $1.0 million. Private banks have the ability to make investment decisions and generate revenue through fees that are based on asset management, portfolio performance and specialty wealth-advisory services'.

Beaverstock et al. (2012, 2013) has focused on how “financial elites” consume financial services as part of private banking “ecology” and through this exploration the role of the private banker becomes clearer. Like other firms, private banks derive considerable advantages in executing their services based on geography (Beaverstock, 2012; Wójcik, 2007; 2009). London is particularly advantageous as it is home to not just a wealth of human talent for hiring, but also a large group of advanced business services, and a major pool of wealthy potential clients, allowing firms to benefit from agglomeration economies (Wójcik, 2007; 2009). Despite these economies of agglomeration within London and other leading financial centres, the private banking industry is characterized by a low level of concentration, with the top ten global firms accounting for just 31.6% of UHNWI assets in 2016 (Scorpio Partnership, 2016). As such, it is important to note the geographic location of our research participants, as this will necessarily affect their role and investment options, with the same research undertaken in different geographies likely to develop different nuances and findings.

In the following section, we will use our research findings to explore the role of private bankers in their interactions with UHNWIs, and the perceptions of these relationships.

4.1 Research Results

4.1.1 The Role of the Private Banker

According to the bankers we interviewed, the primary function of private bankers is allocation, or the distribution of a client’s wealth in a number of different funds or strategies. However, giving a comprehensive view of the role of private bankers is complicated by the fact that in each geography there are different services demanded or prioritized, so the role of a private banker exhibits a high degree of geographic fluidity (Omarini and Molineux, 2005). Because the majority of our private bank research participants were in London, we have focused on the role that private bankers play in the UK and Western Europe. Here private bankers are a key channel for the money that flows into asset managers. However, beyond just this allocation strategy, private bankers also offer very specialised services, such as tax preparation, inheritance planning, facilitating legal council, and helping to buy homes or other high-end luxury items. Generally, these services are increasingly available as a client’s investable assets grow, according to several of the bankers we interviewed. For instance, those with over $100m in assets would receive considerably more attention and service than someone with $10m in assets. Two bankers in London noted that, for the very richest clients, their advisers are expected to be available 24 hours per day, and could help with personal matters, such as planning trips or arranging for tickets to sporting events.

In terms of more specific financial duties, our survey respondents indicated that investment advice was by far their most common service required (demanded from all the private bankers sampled, Figure 3), but that inheritance advice, housing/mortgage advice, and retirement advice were also practiced. Interestingly, the results from the UHNWI sample of survey responses, shown in Figure 4, found that whilst a full 100% of respondents used their private bankers for investment advice, two-thirds (66.6%) of respondents also indicated that their private bankers provided tax and inheritance advice as well, indicating the variety of roles private bankers provide to different clients, and perhaps the varied expectations of UHNW clients as to the role of their private bankers.

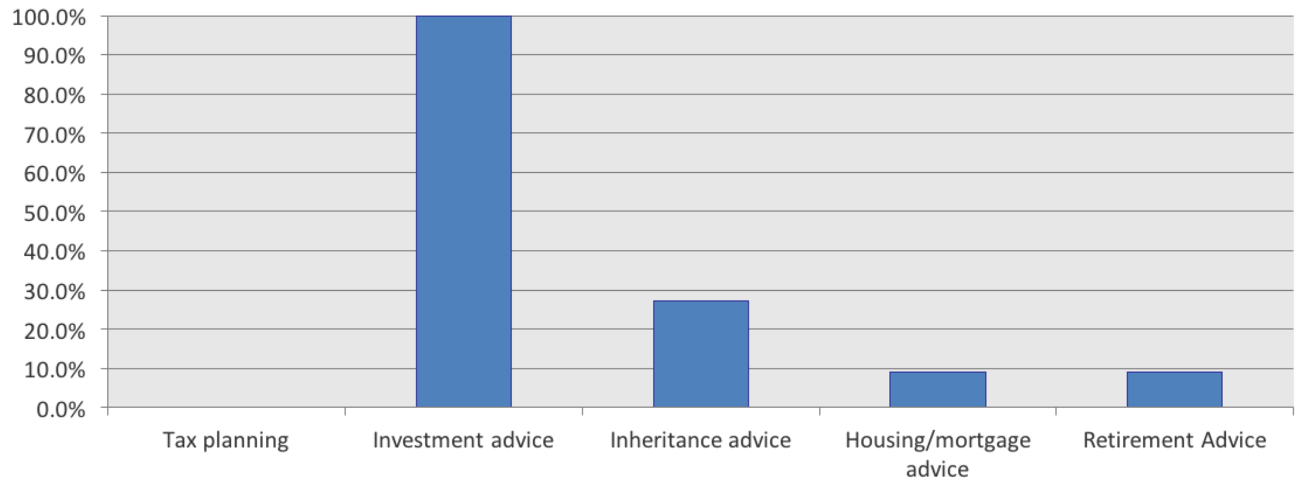

Figure 3, Services Provided by Private Banks (responses from private bankers)

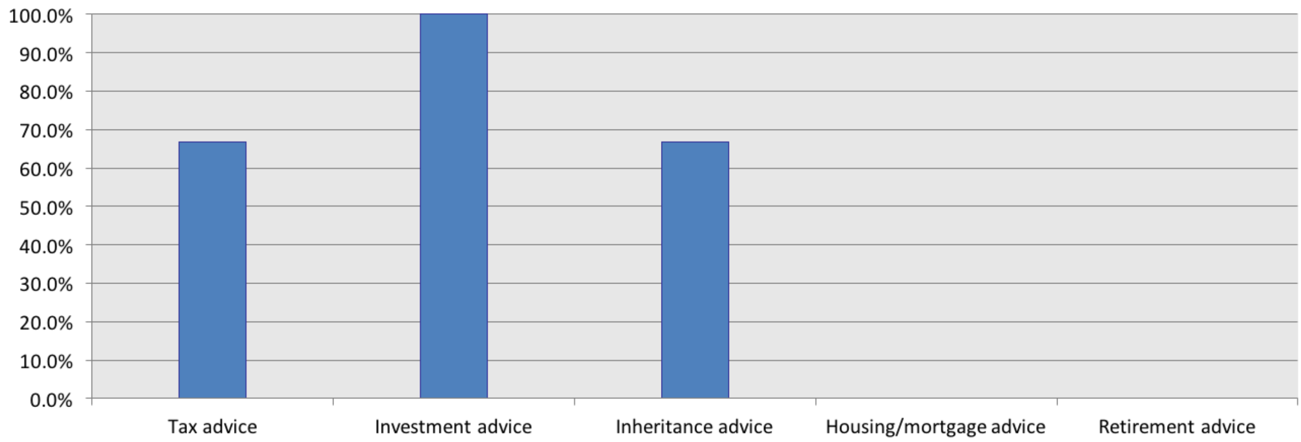

Figure 4, Services of Private Banks Used by UHNWIs (responses from UHNWIs)

However, just looking at their role as fulfilling requested duties does not adequately describe the services of a private banker, nor their importance to the lives of the clients they serve. Harrington (2016) has said that despite private bankers technically being employees, they are nonetheless the "masters" of their clients. Private bankers do wield a considerable amount of power in the lives of clients, principally because of their extensive knowledge of the investment world and their utility as a "voice of reason". Harrington says that a wealth manager:

> Constitutes what the French anthropologist Marcel Mauss called un fait total social — that is, "a total social act," bringing together all the major institutions of a society. Their remit is both technical and social, touching on finance and the family as well as on the role of the state and organizations. (Harrington, 2016: 4-5)

This description perfectly captures both the range of services that private bankers provide as well as their importance to UHNWIs and their families. Numerous interviewees mentioned that the services of their banker were crucial to them, and reflected the diversity and importance of the role outlined by Harrington. Since laws, regulations, and markets are always changing, keeping up with such changes requires knowledge, skill, and diligence, which is why many families in our research said that they rely on outsourcing such expertise and responsibilities to a wealth manager. As a result, the wealth-protecting services of a private banker are always in high demand. .

4.1.2 Relationships between Private Bankers and their Clients

Our interviews investigated the general relationship between UHNWIs and private bankers. Broadly speaking, if one word emerged from our research which could describe the relationship between ultra high-net-worth individuals and their private bankers, it would be 'ambivalence'. Existing studies on how satisfied HNWIs are with their private banks have found a general level of dissatisfaction with the performance of private bankers (Omarini and Molynaux 2005). Our findings were similar, but offer a more nuanced picture, as a large majority of our interviewees said they need to employ private bankers to help them manage their investments, but at the same time they are generally discontented with the service they are provided. Rather than being upset by the lack of attention and poor performance, those UHNWIs within our sample simply seemed to accept that underperformance is merely a universal fact of life; "you learn to live with it", quipped one UK-based UHNWI. Another London-based UHNWI characterised the relationship between the wealthy and their bankers as similar to how most people feel about their mobile phone provider: they often complain about the service and price, but they feel they need a phone, and it is far too much of a hassle to switch providers.

More than half of our 14 UHNWI interview participants thought their private bankers were expensive, often unresponsive, and offered mediocre performance. Interestingly, this critique also came from UHNWIs who were either bankers or asset managers themselves, readily admitting the industry did a poor job. Despite the general dissatisfaction, however, in the end all but one said they would never dispense with them. More than half further admitted that they often defer decisions to their private bankers despite their general disenchantment. This is not the kind of situation one might naturally expect. Given the wealth level of the individuals/families in question, and the fact that private bankers are ostensibly service people, one might assume that ultra high-net-worth individuals would have utter dominance, changing private bankers whenever they were dissatisfied. Yet our survey found that the average length of a client relationship was 10-15 years, with a significant minority (20%) being 15 years and over (Figure 5). The relationships are often so durable that according to a 2005 study, remarkably few wealth managers even collected data on client satisfaction (Omarini and Molineux, 2005).

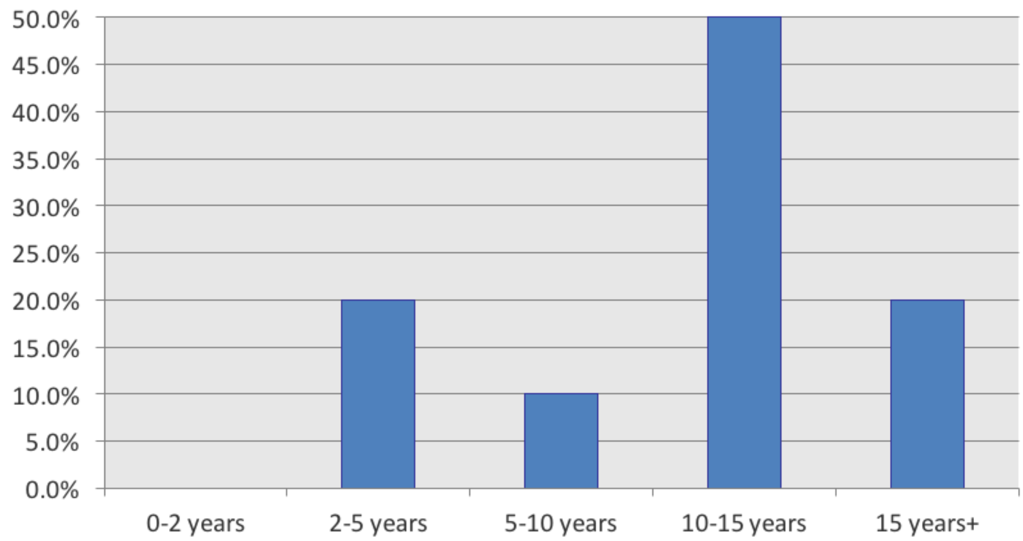

Figure 5, Average Length of Client Relationship (responses from private bankers)

From our research, there seemed to be three reasons why these relationships lasted so long despite the dissatisfaction:

This first was the most straightforward and easy to understand—lifestyle and stress. Many UHNWIs simply find the idea of having to actively manage their wealth daunting and stressful, and are happy to hand over stewardship of it to an adviser, even when the service is expensive. In such situations, the client has already explicitly given control to the banker, so they are often predisposed to deferring all investment and financial decisions.

The second reason has to do with experience. Many UHNWIs made their money outside of finance—either in technology, heavy industry, or often, through inheritance. As such, many lack professional competence within financial markets or investing, as their expertise lays elsewhere. Managing at least $30m, and often far more than that, is overwhelming to them, and so for the sake of convenience, a number of interviewees commented that they were relieved to hand over the service to an adviser, even if the price is high and service quality mediocre. In such situations, private bankers seemed to take on a decisive role in the financial lives of ultra high-net-worth individuals, with the wealthy often deferring to their advisers on all matters financial, even when they have ample free time and could engage much more. One asset manager commented on the relationship this way, saying a lot of clients disagree with their private bankers on many matters, but they are just too timid too argue. "The fear of embarrassment from being intellectually outmatched [in the domain of finance and investment] is simply too great", said the asset manager.

The third and final reason that the wealthy defer to their advisers has to do with family. We found in our research that private bankers often played a key role in mediating investment disputes within families. Each family, and trust, has its own investing principles and procedures for investment, but we found that a few aspects seemed consistent across most of them. For instance, despite the fact that many are led by an older male patriarch, at least in large families, there was a significant amount of input on investment from the family as a whole, complicating the picture of "control". And within this broader familial consultation on investment there was often disagreement, particularly between generations. Numerous UHNWIs and private bankers gave anecdotes about major "falling-outs" that had occurred because of disagreements over investment portfolios, particularly between the Baby Boomer generation and their children. One London-based son of a UHNWI, who was an UHNWI himself, told us that he eventually had to stop pushing for sustainable investment in his family trust in order to stay on speaking terms with his father. Using the example of sustainable finance, our research found that all of those we interviewed under 50 years of age had very positive views about investing in sustainable projects and companies, while a majority of those over 60 were often quite opposed to it. The difficulty emerged as the investment process for most families was fairly democratic, or at least needed to appear to be democratic. In such instances, it was very politically and socially useful to employ a private banker as an independent consultant on investment matters. Because a private banker is seen to be an objective third party with the family's best interests in mind, it was quite useful for families to rely on them for advice. This put a great deal of responsibility in the hands of private bankers, especially because they were seen to be objective. This perhaps also suggests a related reason for long-term relationships between UHNW families and their private bankers, as these private bankers spend a lot of time getting to know each of the family members and understanding the preferences and priorities of the individuals before recommending investment decisions for the family as a whole – switching private banks would mean that the whole family would have to start again from scratch in explaining their values and expectations, and the dynamics of the familial relationships.

4.1.3 Typologies of Interaction between UHNWIs and PBs

Given this focus on long-term relationships, it is useful to understand the types of interaction between UHNWIs and their advisers, and how this varies across different geographies.

Our interviewees were mostly London-based, but this seems an accurate reflection of the high level of geographic concentration of wealth and asset management in London and other leading financial centres (Wójcik, 2012). While most UHNWIs were London-based, some were expatriates who utilized London-based financial services but were not actually British citizens themselves. 11 out of 14 UHNWIs were London-based, while 29 out 33 private bankers and asset managers were. While all our UHNWI informants knew their private bankers personally, in-person meetings were infrequent, but did correlate to wealth level, with the richest getting more in-person time with their bankers. Much business is accomplished by phone, with UHNWIs telephoning their advisers much more often than meeting in-person. Many UHNWIs expressed that they did not hear from their advisers all that often and did not feel that they got much personalized attention. The level of interaction varied, with some reporting that they met face to face with their banker every few weeks, whilst others said they had not seen theirs for years. When problems did arise, UHNWIs did tend to request meetings, and in such cases private bankers accommodated. Nonetheless, there was a general dissatisfaction among our audience that they did not get as much personalized attention as they would have liked. UK participants seemed the most downcast about their private bankers, but interestingly, they also seemed the most reluctant to change bankers, with only one UK participant ever having done so.

Another factor impacting the UHNWI-private banker relationship is the industry of "advanced business services", which operate as intermediaries and influence the flow of capital and nature of interaction between our two groups. This is especially true at the highest end of our ultra high-net-worth group, and it is important to consider. The group of intermediaries includes accounts, lawyers, fund rating groups, and investment consultants (Wójcik, 2007). However, in the experience of our interviewees, the last of the group (investment consultants) seemed to have the largest impact, especially on the higher wealth end of our informants. In such situations, much of the responsibility for investment is given to hired managers within the family offices, who in turn hire investment consultants to help them assess and proactively guide their investment practices. The firms often provide ratings of external funds and generally help advise on how family offices and trusts should allocate their capital. Such investment consultants are often used in conjunction with private bankers as a form of third party advice for both the family office and the private banker. While their presence is only relevant amongst a minority of the ultra high-net-worth space, they do seem to have a strong impact where they do advise clients, and it is therefore worth remembering that the UHNWI-PB interactions are not necessary binary or exclusive, but operate in a wider ecosystem of the financial and business industries.

4.1.4 Investment Decision Making – the Power of Private Bankers

A key finding during our research was the outsized role that private bankers play in the lives of their clients. Building on Harrington's (2016) characterization, we found that UHNWIs put a great deal of trust in their advisers and that they were used as confidants in addition to investment advisers. The real relevance here, apart from the interesting social and business bonds clients and bankers share, is how the banker influences investment selection. Rather than simply fulfilling the common financial role of an "agent", private bankers have a disproportionately large effect on where and how UHNWIs invest. In many cases, the private banker seemed to have much more influence over where money was invested than the individual or family who it technically belonged to. This fact goes some way in explaining Wójcik's "home bias", in that the professional connections and knowledge networks (of which the bankers are a key part) are centralized in a specific region, so the capital tends to flow to local investments (Wójcik, 2009). In the case of our study, this centre was London, and means that the location of the private banker is often more important in determining the economic geography and location of investment for (often transnational) UHNWIs. In this way, the investment pools of UHNWIs exhibit an odd feature in that possession and control seem to be fractured (both relationally and geographically). Though the money technically belongs to UHNWIs, in most cases it was private bankers who actually had control over it, distributing out the capital as they see fit.

4.2 Conclusions and Future Research

We have shown here that despite UHNWIs being generally dissatisfied with them, private bankers exhibit a high degree of control over client accounts. This makes them a crucial part of the investment chain. From our perspective, much more research needs to be done on the interests and compensation structures of private bankers across different geographies, given their power over, and long-lasting relationships with, UHNWIs. Countries have vastly different regulatory structures in place, with private bankers legally bound to act as "fiduciaries" in some places, but not in others. In the US for instance, new regulations soon to be put in place mean that for retirement accounts, private bankers (often called "financial advisors" in the US) need to always act in their clients' best interests.[5] This has led some large wealth management firms, such as Merrill Lynch, to do away with commission-based sales on retirement accounts; instead taking only a fee on the total assets managed, a structure seen to be more neutral for clients (Wursthorn, 2017a). This divergence from a commission-based model highlights the variety of geographically-unique pay and incentive structures. Accordingly more research needs to be done to understand how such varying compensation plans affect the interests and relationships between bankers and their clients (Wursthorn, 2017b).

[5] The US Department of Labor was scheduled to implement a new "fiduciary" standard governing retirement accounts in the United States in April 2017, but it has currently been delayed for review by executive order of President Donald Trump. Other accounts, however, remain outside the fiduciary mandate.

5. Sustainable Finance among UHNWIs

Now that we understand the basics of the UHNWI community, private bankers, and the relationship between the two, we would like to turn our focus to sustainable finance. Given that the OECD predicts it will take a cumulative $53 trillion of investment between now and 2035 to get the world on a path to achieve the two degrees Celsius target of post-industrial warming, it will take a significant change in perspective on sustainable finance to meet this target (OECD, 2015). Our working paper aims to understand one small part of sustainable finance, in particular, the state of sustainable investment advice being given to UHNWIs by private bankers. While there is a rich literature on pension funds and other institutional investors in the context of sustainable finance, the opportunities and barriers to sustainable finance amongst UHNWIs are very poorly understood.

A small but growing literature explores the rising demand for sustainable investment amongst the UHNWI and wider investment communities, given the recent campaigns around Divestment and Shareholder Resolutions on climate change (Henderson, Nash and Sanquiche, 2012; Clark, 2015; Arabella Advisors, 2016). A number of UHNWIs have made public statements with regards to investing in sustainable finance opportunities and projects, or signed up to one of several sustainable finance-related initiatives such as the Divest-Invest campaign and the Montreal Carbon Pledge. Although growing significantly in the last decade (Eurosif, 2016), Socially Responsible Investment (SRI) funds have been popular among wealthy individual and institutional investors alike since the late 1980s and throughout the 1990s (Friedman and Miles, 2001; Juravle and Lewis, 2008). Yet, relatively little capital has flowed into responsible investments, especially when compared to conventional investments and the scale of finance required for a transition to a low carbon economy. This section of the working paper will explore both the demand and supply of sustainable finance advice and investment among UHNWIs, aiming to elucidate trends and barriers to the future uptake of sustainable finance opportunities.

While there has been little literature exploring the barriers to sustainable investment among UHNWIs, there is some literature exploring the biases and impediments to sustainable investment amongst institutional investors (Juravle and Lewis, 2008; Sievanen, 2014). Key barriers limiting uptake include a lack of climate-related data, and the fact that many investors and companies alike often categorise SRI and environmental concerns as "non-financial" or "extra-financial" issues, which means they have been kept on the sidelines of core business and investment decisions (Juravle and Lewis, 2008). Overall, there seem to be three major issues which have hampered the growth of SRI at the institutional level: the 'agency problem', fiduciary duty, and financial performance (Juravle and Lewis, 2008; Sievanen, 2014: 309). The agency problem refers to how different actors within the financial system have their own financial interest, which may constrain or guide their behaviour (Sievanen, 2014). Fiduciary duty refers to the responsibility of pension funds to work in their clients' best interest, which often means maximizing returns (Sievanen, 2014). This point is tied to the last issue, which is skepticism of financial performance relative to those investments made without concern for the environment (Sievanen, 2014).

On this last point, while debate is still ongoing within the industry, the idea of sustainable investment offering lower returns and higher volatility has been proven largely incorrect within academic literature. A meta-analysis of existing literature by Clark et al. (2014) found that 88% of relevant research shows solid ESG (environmental, social and governance) practices resulting in better operational performance, and 80% found that stock prices are positively influenced by good sustainability policies. Levi and Newton (2016) have shown that when comparing the returns of sustainable stocks to the most polluting ones, sustainable shares have outperformed by 3.7% per year on a risk-adjusted basis. The implications of the research are profound, as they show that an ESG-based approach has had significantly higher returns over the long-term. However, such findings have not been taken into consideration by a considerable portion of the UHNWI and private banking community, commonly because of a lack of knowledge about sustainable finance and climate risks to portfolios (Harnett, 2017), but equally as likely because of an entrenched antipathy towards sustainable finance and a preference for the status quo which has previously maintained and/or increased their wealth in the past (Tversky and Kahneman, 1973; Kahneman, Knetsch and Thaler, 1991).

The aim of our investigation will be to uncover the factors which are driving and holding back sustainable finance on the part of UHNWIs. We will look at the perspectives of both wealthy individuals and their bankers in order to develop a holistic view of the sector. We begin by looking at the factors influencing demand on the part of UHNWIs, and then move on to the quantity and quality of supply of sustainable advice and investment.

Over the course of the five months of interviews we conducted for this working paper, our underlying research question evolved, as did our questions for informants. We discovered early on in the research that there was a distinct lack of sustainable finance advice being offered by private bankers to UHNWIs, so we adjusted our focus towards understanding why that was the case. In this section we will mix responses to interview and survey questions to provide a coherent exploration of our overall research findings.

5.1 UHNWIs' Demand for Sustainable Finance – Results

In exploring the demand for sustainable finance, we analysed several aspects, namely: the interest in environmental and social impact investing, individuals' past experience of investing in sustainable products, the performance of such investments, and satisfaction with the quantity and quality of sustainable finance advice being given by UHNWIs' advisers. We found that demand and satisfaction levels varied among geographies and demographics.

5.1.1 Interest in Environmental and Social Impact of Investments

If there was one thing that was immediately apparent in our research, it was that sustainable finance was a highly polarised topic, with almost all our research participants (UHNWIs and private bankers) having a strong opinion one way or the other. Generally speaking, sustainable finance seemed to be a topic that was dealt with primarily on an ethics-driven basis rather than a financial one, though the guise of rationality often masked such feelings. Much of this emotion had to do with the question of climate change and whether or research participants "believed" in it. There appeared to be a significant correlation between concerns about climate change and whether private bankers offered sustainable finance options and whether UHNWIs committed capital to the sector. Tied to this fundamental question was the related question of returns. Those who felt the imperative to invest in sustainability embraced the idea that such investments would provide significantly higher returns because of the elimination of ESG-related risks. Those who were skeptical of climate change, and thus sustainable finance (the two seemed inextricably linked in the eyes of those critical of it), often cited the poor returns and general volatility of the sector as a reason to not invest in it. This finding contradicts a recent survey of retail and institutional investors by Amel-Zadeh and Serafeim (2017), which found that ESG investment was driven by financial rather than ethical motivations, suggesting a divergence in investment decision-making priorities between UHNWIs and mainstream investors.

During our interview process, roughly 93% of our respondents said they were interested in sustainable finance. However, early on in the research we came to see that our informants were frequently mentally dividing between "environmental" and "social" impact. Our interview participants said that both types of impact were important to them, with 13 out of 14 UHNWIs saying that having both a positive environmental *and* social impact was a priority. Thus, as we progressed with our digital survey we wanted our questioning to become more granular. Therefore, we split up our question, with one focusing on interest in environment-oriented investment, and one surrounding social impact-oriented investing, and asking them to rate each area in terms of priority. Interestingly, this showed that those surveyed had a strong desire (80% had scores of 4 to 5) for their investments to have a positive environmental impact (Figure 6), and that this desire was stronger than that of having a positive social impact (Figure 7). We suspect that the bias of survey respondents was skewed strongly towards a predilection for climate-oriented investment, which may explain the variance.

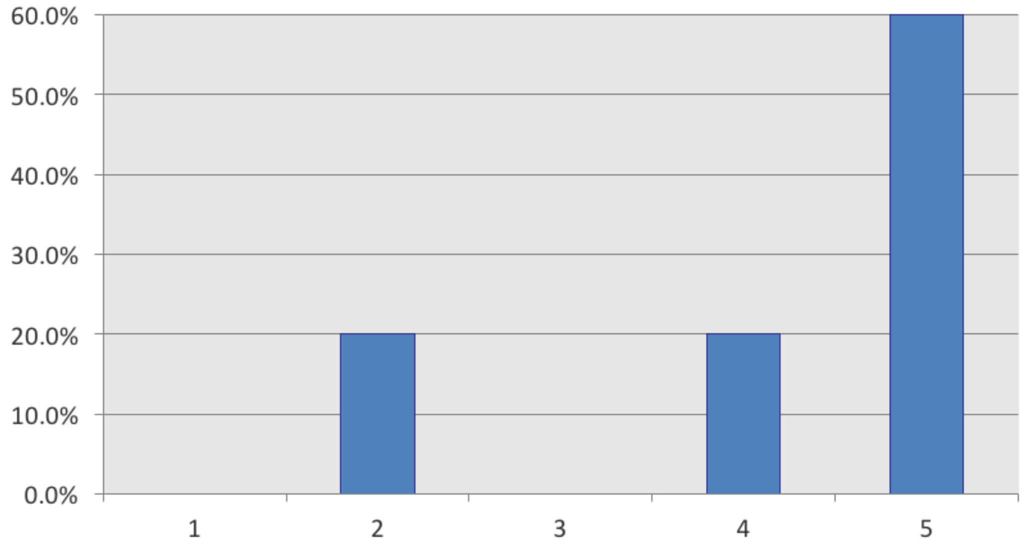

Figure 6, Interest in Environmental Impact, where 5 is Very Interested, and 1 is Not at All Interested (as reported by UHNWIs)

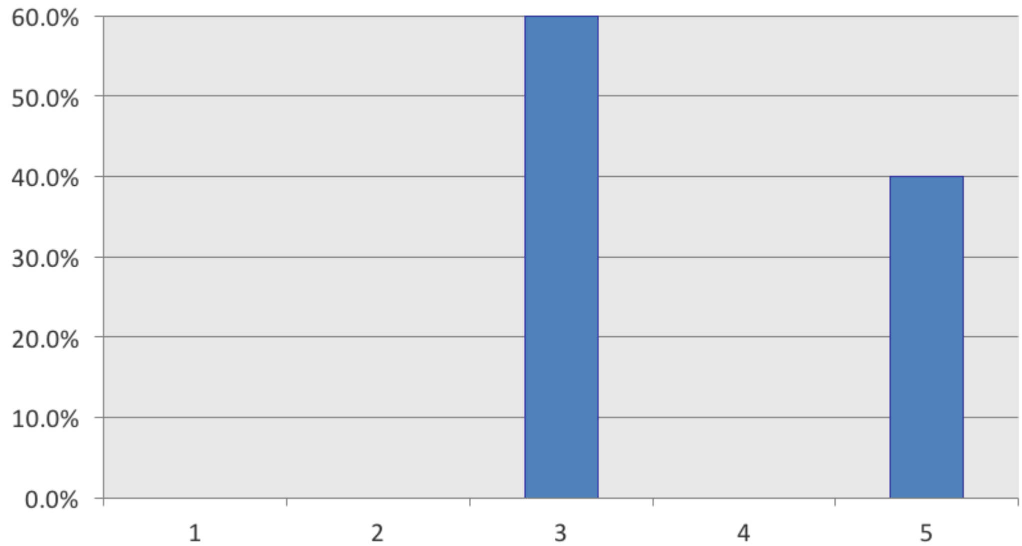

Figure 7, Interest in Social Impact, where 5 is Very Interested, and 1 is Not at All Interested (as reported by UHNWIs)

One of the most interesting aspects of these results was that they contrasted sharply with what private banker interviewees reported. The large majority of private bankers (~80%) said that they saw "social" impact as significantly more important to clients than environmental impact. One London-based banker said simply "The environment is just not that high up the priority list. Clients are much more interested in building schools and hospitals than they are in climate change". The reasons for this sentiment were two-fold. Firstly, social issues surrounding health, poverty, education, and beyond were seen as more immediately "pressing" than the more "vague" and distant threat of climate change. Secondly, and relatedly, investments in such areas provide were viewed as having more easily traceable results (e.g. a 20% drop in infant mortality, or a 50% rise in literacy) than those aimed at reducing carbon emissions, where a global drop cannot be attributed to any single investment. In other words, private bankers said that sustainable finance has an attribution problem.

While this gap in stated priorities is a potential area of misunderstanding between UHNWIs and bankers that could be holding back investment, given the small sample pool of UHNWIs and their bias towards sustainable investment, as well as the comments of third party interviewees, we recognize that there was could be a significant predilection for social causes ahead of environmental ones within the wider market.

5.1.2 Experiences with Sustainable Finance

Our interview and survey participants had a very wide range of responses to the question as to what percentage of their existing portfolios were invested in sustainable finance. Among interviewees, some of those on the wealthier end of our spectrum, especially those with investable assets above $500m, had their entire portfolios in sustainable investments; others had none of their portfolios in sustainable investments. While our sample set of interviewees was small (and biased towards those who care more about sustainable finance), we did see a definite correlation between the amount of investable assets and the percentage of the portfolio invested in sustainable finance. The private bankers we interviewed noted time and again that as you move lower on the wealth spectrum, UHNWI individuals seemed to have less and less of their portfolio in sustainable investments. We investigated this finding further and discovered that it was tied to an aspect that we have already laid out—that the wealthier an individual or family is, the more investment opportunities they have, both in public and private markets. The wealthiest individuals are not bound to only investing in listed shares, but can create their own opportunities, which seemed to have a positive effect on the amount of overall assets committed to sustainable investments. In terms of the survey, 60% of those surveyed said at least 20% of their overall portfolio was in sustainable investments, with 20% reporting 0-10% held in sustainable investments (Figure 8). Although this is likely to be higher than in the average portfolio, it is an important finding in demonstrating the potential for UHNWIs to hold meaningful percentages of their portfolios in sustainable investments – such an aspiration is possible if desired, reducing the plausibility of the common argument that investing in 'sustainable' is difficult to the point of not being worthwhile. This also demonstrates that there is demand for sustainable finance products and opportunities within the UHNWI community.

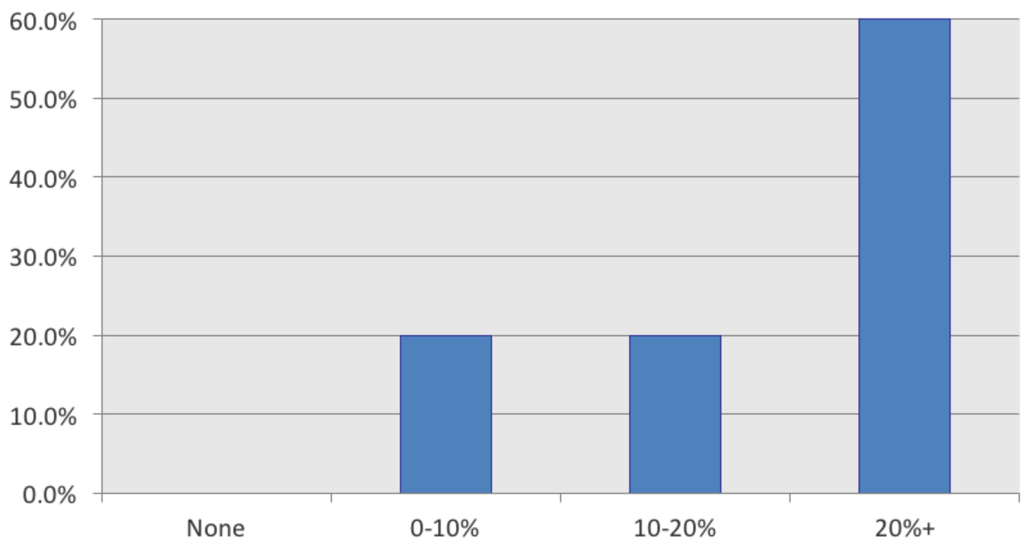

Figure 8, Allocation to Sustainable Investment (as a % of total invested assets) (as reported by UHNWIs)

5.1.3 Past Performance

Despite ample evidence to the contrary, most (10 out of 14) of our UHNWI interviewees held the perception that sustainable finance would have lower returns than conventional investment. Many were hopeful that this would change as ESG and other sustainable-type approaches become more mainstream, but for the time being, most felt that sustainable investments required a small sacrifice in returns. Four UHNWI interviewees cited a 1-2% annual gap between conventional returns and sustainable returns as typical. "Sustainable investment is still somewhat of a luxury, as it means needing to sacrifice some return to do good", said one London-based UHNWI.

On the whole there seemed to be a dichotomy between long-term view and short-term perspectives on returns in the sustainable space. UHNWIs believed that in the near-term sustainable investing would mean giving up some return, but that in the long-term sustainable approaches would win out because of how environmental factors would come to shape long-horizon stock returns. Nonetheless, the short-term belief in poor returns was a powerful feeling that seemed to pervade our whole investigation into the topic and appeared a significant barrier to demand and greater capital commitment in the space.

5.1.4 The Generational Gap in Demand

Another important topic discussed by participants related to generational differences in demand for sustainable finance. UHNWIs often mentioned that younger generations, primarily those under 50 years of age, were significantly more interested in the sustainable finance space than older generations (65 and older). However, this older generation tended to be primarily in charge of investment portfolios. Several UHNWIs, especially at the higher end of the wealth spectrum, cited significant arguments within their families over the direction of their investment holdings. One older London-based UHNWI offered an insightful anecdote.

> *Our family investment meetings are like small wars. All the young people want us to invest in social and philanthropic causes, while myself and my generation prefer to stick with the conventional portfolio that our banker recommends. So far we have only done very limited investment in anything like that. I must say I am surprised our children still speak to us given how mad they get about the investment portfolio!*

This ties to literature regarding status quo biases, and the idea that current UHNWIs are unlikely to change their own investing habits regardless of any evidence of the positive impacts and returns available from sustainable investments (Kahneman, Knetsch and Thaler, 1991). This is further exacerbated by perceptions of environmental change, and particularly climate change and global warming, as long-term trends rather than ongoing issues already affecting economies and markets (Carney, 2015; Harnett, 2017). It also points to the importance of bankers' recommendations in defining the investment decisions of older generations. A number of private bankers during interviews commented that they thought the sustainable finance sector would grow, but that this growth in demand (and consequently their supply of advice) was likely to be in the distant future and not something to be acted upon in the present. This generational component of demand is important to consider, as future perceptions of sustainable finance have an important influence over what is happening now in terms of environmental change.

The majority of our UHNWI informants (10 out of 14) thought sustainable finance would flourish as younger generations inherited wealth, which appeared to influence the belief in better long-term sustainable investment returns. This supports the finding of a US Trust report (2016) which found that 93% of millennials would consider environmental and social issues in their investment decisions, and 80% of our private banking survey respondents who felt sustainable finance would become more popular as younger generations inherited wealth (Figure 9). From this perspective, demand is likely to increase over time. In concordance, private bankers and those participating in the research forum also said they expect supply of sustainable investment advice to increase in the future to match changing demand. Thus sustainable finance often seemed to be regarded as something on the horizon rather than of importance "now", inevitably slowing both the demand for, and supply of, related investment advice at the moment.

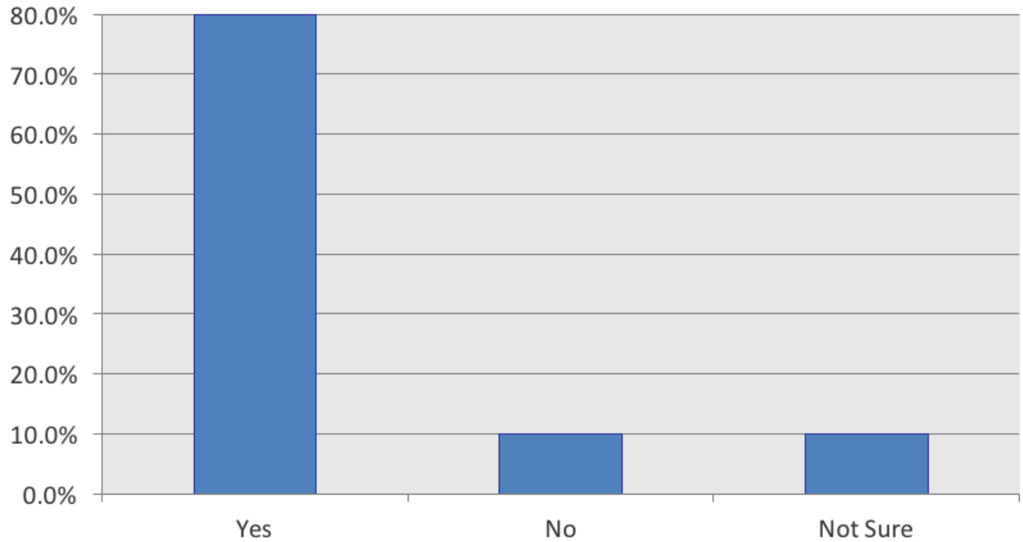

Figure 9, Will Sustainable Investment Demand Increase in Next Generation (as reported by private bankers)

5.1.5 Satisfaction with Sustainable Investment Advice

The question around satisfaction with sustainable advice has two parts, one explicit, one subtler. It explicitly asks whether they are happy with the level of service they are receiving, but by extension it probes their demand for sustainable finance. This was an open-ended question, but we found it was very useful as a means to creating a robust dialogue between ourselves and informants, and therefore as a gateway to undertaking "close dialogue".

Interviewees' responses to this question were extremely diverse in focus, but with one clear underlying message: that UHNWIs were dissatisfied with the level of service being offered, an issue which we touched on in the previous section. Only 3 out of 14 UHNWIs interview respondents said that they were satisfied with the sustainable investment advice and opportunities they were being offered. It should be noted that all three of these individuals were at the very upper-end of the wealth spectrum, which allowed them more private market investing opportunities and a much more tailored level of service from their bankers. Additionally, two of these individuals had moved private bankers several times until they found one who could meet their sustainable investment needs.

In our survey we asked respondents to rate their satisfaction on a scale of 1 to 5 (with 5 being "extremely satisfied"), and like the interviews, their responses were also quite clear: 80% of all respondents reported either a 1 or 2, indicating a high level of dissatisfaction with the service they were receiving (Figure 10). This shows that UHNWIs were unhappy with the service they were being offered, but by extension it also reinforces the previous responses indicating that there is, in fact, demand for sustainable investment advice. UHNWIs clearly want more (and better) sustainable investment advice, but their private bankers are currently not offering it.

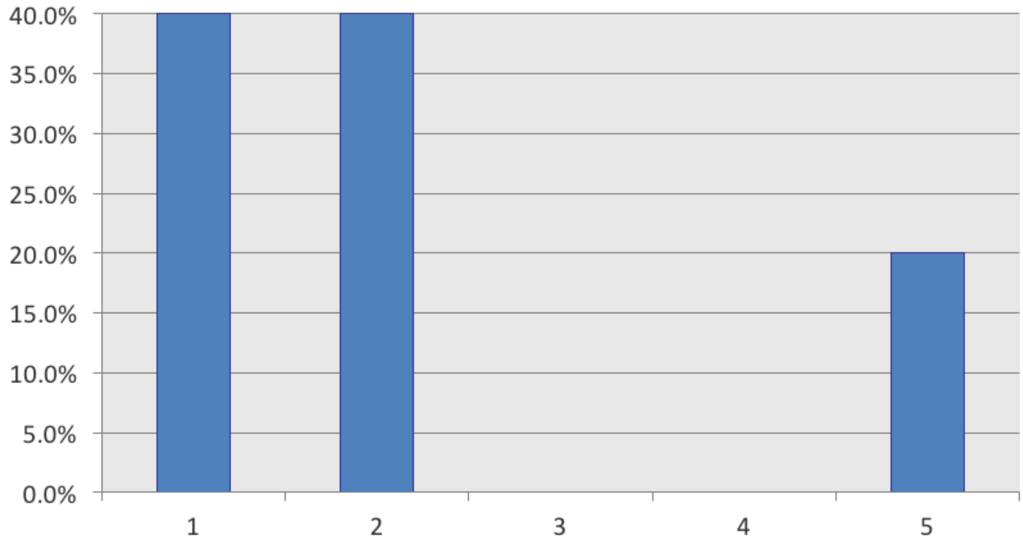

Figure 10, Satisfaction with Sustainable Investment Advice, where 5 is Extremely Satisfied, and 1 is Not at All Satisfied (as reported by UHNWIs)

5.2 UHNWIs' Demand for Sustainable Finance – Analysis

As we have already seen, there is well-demonstrated demand for sustainable investment products among the ultra high-net-worth community. However, this has not blossomed into large growth for the industry as many would have hoped. Based on the above results, there appears to be five important reasons why not: measurement and reporting, a generational gap, skepticism over returns, importance versus other concerns, and inertia on the part of private bankers. We want to reinforce that our pool of respondents was small, with each individual having their own personal opinions and biases. Nonetheless, consistent themes did emerge which we explore and analyse in more detail below.

Firstly, there is the issue of measurement and reporting, specifically regarding the calculation of the beneficial impact of a specific investment. Both private bankers and ultra high-net-worth individuals said that measuring the impact of a sustainable investments was difficult and was proving a barrier to more capital inflows. This problem was highlighted as being a greater issue for measuring the 'sustainable-ness' of an investment, compared to the relatively easier methods of calculating the social impact of an investment. Two private bankers in London, for example, noted that while it is fairly straightforward to measure literacy or infant mortality rates and how these have changed over time, it is very hard to quantify the impact an environmental investment has made. Because many environmental investments are made for the betterment of the whole world and its climate, it becomes much harder to discern the impact of any one single investment, noted one of the private bankers. This aspect is particularly important to consider with institutional investment, such as trusts or charities, which want and need to report the success of their investments to their benefactors, said one London banker who primarily managed such accounts. However, our interviews indicated it was an issue for ultra high-net-worth individuals as well, and generally speaking, the lack of tangible measurements available from sustainable opportunities dampened demand for climate-oriented investment. Furthermore, many interviewees suggested that this barrier was particularly pervasive, not because of a lack of trying or a lack of literacy around environmental issues, but merely the fact that institutional and organizational systems do not yet have a standardized or universal way of measuring and reporting environmental impact given the complexity of the issue and corporate structures.

Secondly, there is a generational gap in sustainable investing. There appears to be a strong divergence between those under 50 and those over 60 when it comes to sustainable finance. Those under 50 tend to have much higher interest levels in sustainable finance and more passion to see such investment be undertaken. In contrast, those over 60 tend to be very skeptical of sustainable finance and often prove a hindrance in familial investing in the sector. We have already noted the family dynamics relevant to much ultra high-net-worth investing, but it should be said that interest in, and execution of, sustainable finance proved to be a particularly large tension point amongst the families that we interviewed. Because an older male patriarch, very often 65 years of age or older, frequently has the final say of where investment is directed, this age gap is still a major obstacle to sustainable financing. However, studies have shown that this may ease in the next few years, as women and the young are set to inherit and control more wealth globally (US Trust, 2016). Both of these groups have a higher predilection for sustainable finance, and many private banks we interviewed said that they see this inheritance pattern as a major opportunity for the sustainable finance sector. Numerous private banking and UHNW attendees at our investment forum at Waddesdon Manor in 2016 highlighted and reinforced the idea of a coming "generational wave" of sustainable investing.

Thirdly, sustainable finance is widely seen amongst ultra high-net-worth individuals to have lower returns than conventional investment. This is a widespread belief among private bankers as well, and while it is unclear exactly where this perception stems from—there are numerous studies contradicting this view (Orlitzky, Schmidt and Rynes, 2003; Clark, Feiner and Viehs, 2014)—it exerts a powerful force on the UHNW community. Because investors believe that sustainable investment will always have lower returns than conventional investment, they often have an irreconcilable conflict of interests whereby they do not invest in sustainable finance because they do not want their philanthropic endeavours to have less funding. Since philanthropic activities are already seen to be doing good, the idea of investing in a lower-returning sector, thus yielding less funding, is unpalatable. There is some evidence that this is changing, but it is still a significant barrier at present, and was particularly widely discussed in the Waddesdon Manor forum and during a number of research interviews.

Fourthly, there is the issue of the position of environment-oriented investing in the hierarchy of concerns. Even those interviewees who invest heavily in the sustainable sector suggested that environment-oriented investing often takes a back seat to socially-based investing, although our survey results suggested that for a few investors environmental can outweigh social concerns. However, this barrier was highlighted by two climate-oriented advocacy funds, as well as a handful of private bankers and UHNWIs. Investors often feel compelled to invest in "more urgent" or "pressing" social issues such as developing world health and education rather than in climate change or environmental degradation which are seen as less tangible. This predilection for social causes seems to be aided by the relatively stronger ability to measure and report outcomes in such spaces vis-à-vis environmental investing.

Finally, one of the key barriers to the successful translation of high-net-worth individual demand into actual investment was the simple lack of responsiveness and advice on the part of their private bankers. Many wealthy investors had the interest and motivation to invest in sustainable finance, but that passion was not translated into actual inflows by their private banker. This lack of responsiveness to sustainable investment requests generally manifested itself in two ways: the "risk" speech and the "promise" speech, which are explained below:

- The risk speech refers to a commonly reported interaction that occurred at the nascent stage of investor interest. When UHNWIs first expressed interest in sustainable sectors, they often requested a meeting with their private bankers to discuss it. During this meeting, the banker would use a series of complicated terms and statistics to show why it would be "ludicrous" to invest in the sustainable sector because it was far too risky. In particular, many bankers would explain that the volatility of the sector does not align with the overall investment aims of the client's portfolio and thus any investment in the space would be unwise. Relating to the frequent inexperience of UHNWI with investment, the speech was often littered with terms such as "risk limits", "allocation", "standard deviations", and "risk/return profiles". UHNWIs often said they walked away from such meetings somewhat shocked and embarrassed, as they had not wanted to mention something that was obviously a bad idea. Time and again, examples of this story came up in our research and over time we came to see that this was a key barrier to demand for sustainable investment. Just at the moment when UHNWIs were gearing up to investment in sustainable finance, they were strongly redirected by their advisers.

- For those investors who did push their private bankers further, there was a second speech: the promise speech. This speech ties to the general lack of responsiveness that many UHNWIs feel they receive from their private bankers. In this case, when an UHNWI was very serious about investing in sustainable finance and had ignored the warnings of their banker, they often called another meeting to discuss the development of a sustainable portfolio. In this meeting, bankers often played up their sustainable capabilities, often utilizing a colleague with sustainable investment experience. In these meetings, bankers promised clients that they would "action" their requests but would go on to explain that this was a complicated process and would take time. Multiple UHNWIs reported that they would often leave the meeting feeling quite pleased. However, several months later, despite all the promises, nothing had happened. This often left investors feeling dejected and frustrated. In the end, though a small number left to seek other advisers, most stayed put and simply let matters go as moving one's account to another private bank can be a difficult process. With this tactic, private bankers played the odds that they would not lose clients, and most often they were right due to relational aspects, time and financial cost of moving banks. The question to ask is why do private bankers shun client demand for more sustainable investment in this way. It is towards answering this question that we shall now turn.

5.3 Supply of Sustainable Advice and Investment to UHNWIs – Results

Now that we have covered demand for sustainable investment amongst UHNWIs, it is time to shift our focus to supply of sustainable investment advice and opportunities. One of the most important points we found in our research was that there seems to be a mismatch between the demand for sustainable investment advice amongst UHNWIs and the supply being offered by private bankers. 100% of survey respondents and 13 out of 14 UHNWI interview respondents said that there was a lack of advice being given to UHNWIs, and that this was seen as the most important factor holding back further sustainable finance (Figure 11). In the section above, we have demonstrated that demand for sustainable investment advice does exist, yet private bankers from our sample overwhelmingly recommended that families avoid sustainable financing: over half of the private bankers we interviewed had never recommended a sustainable investment, and about 85% found the sector to be significantly riskier than conventional investment. This section will explore this further, examining the gaps between demand and supply, and outlining some barriers to the supply of sustainable investment advice.

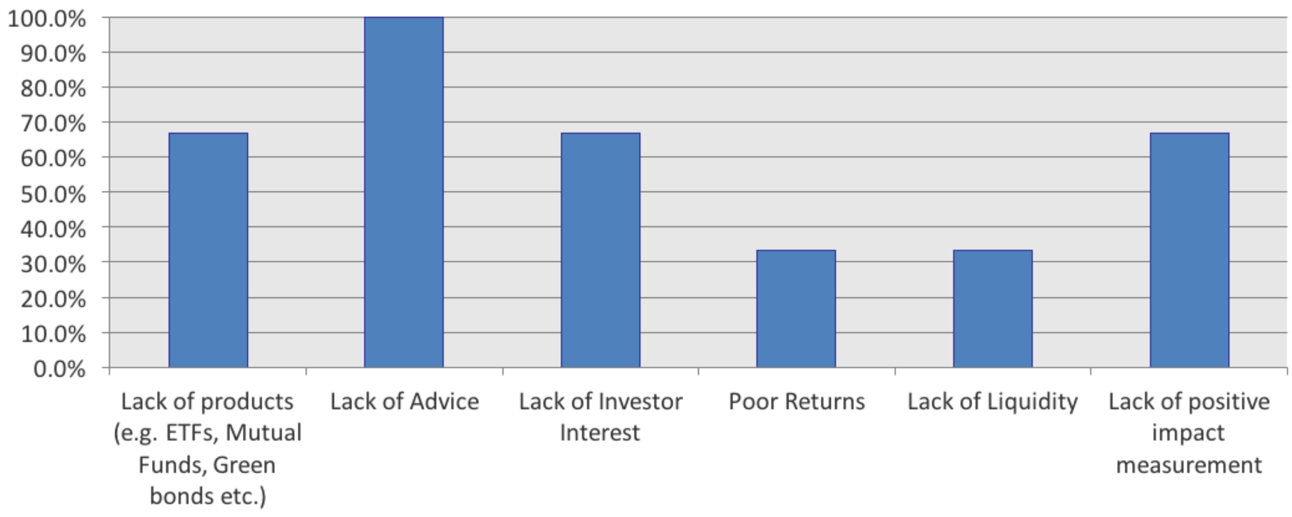

Figure 11, Key Obstacles to Sustainable Investment (as reported by UHNWIs)

5.3.1 Perception of Sustainable Investment Returns

The private bankers we interviewed overwhelming felt that sustainable investment had lower returns that traditional investment, with almost 80% of such participants saying they believed so. The reasons why ranged from historical evidence—with post-Crisis "failures" of the solar and wind industries often cited—to a more philosophical position. Four private bankers took the adamant position that sustainable investment would always have lower returns than conventional investment because any consideration outside of profit would automatically lower returns: "Anytime you are considering a philanthropic side to an investment, you are by definition lowering your returns", said one London-based fund manager. These findings clearly tie into the opinions of the UHNWIs which were outlined above, and give further insight into some of the reasons for the lack of advice being given to bankers' clients.

However, a small handful of private bankers and fund managers, all of whom specialized in the sustainable finance space, said that sustainable investments could actually offer higher returns than conventional investment. This group believed that ESG issues would drive future returns, and thus sustainable companies would see higher returns in the long run. One comment left in our survey by an UHNWI highlights this point and expands upon the perception of poor returns.

> *I would say "perception of poor returns" is another reason (for the lack of investment advice). Returns will improve as managers become better at identifying quality candidates and longer term risks associated with climate change are realised. Current pooled products (e.g. MFs) tend to be negative screens and fairly generic criteria are applied. Sophisticated investors see through this and are frustrated with the lack of product and quality advice, thereby turning them away from the space. Lack of investment should not be equated with lack of interest - fix the other obstacles and the interest is there!*

That said, the overwhelming majority felt that sustainable investment held lesser returns, particularly in the near-term. This is a crucial point because of how bankers are compensated (as a percentage of the total portfolio size, with some having a share of total returns). This means that when an investment is perceived to have lower returns, bankers have no financial incentive to recommend it or spend time developing expertise in the area. This has the effect of reducing the quantity and quality of sustainable investment advice available to UHNWIs.

5.3.2 Private Banks Existing Sustainable Offerings

A lack of products was also consistently cited in the survey (by 67% of respondents, Figure 11) and interviews as a barrier to sustainable investment advice and opportunities for UHNWIs.

In this section, we sought to investigate the timelines and growth of sustainable investment advice within the private banking community to understand the supply of such advice. Almost 45% of survey respondents (the largest group) indicated that they had been offering sustainable investments for 2 years or less (Figure 12). This finding matched our interview data, and together we think it highlights both the slowness of sustainable investment uptake by private bankers, as well as the fact that it may be gaining traction with a growing number of banks. One private banker commented that he was offering sustainable investment to clients because "It is going mainstream, and as such is becoming inevitable." However, the fact that 10% of the survey participants had been offering these products for more than 10 years also shows that this is not a new concept to the investment industry, and one that has been profitable and popular enough to remain an option for more than a decade. As such, there is investment precedent behind the current upward trend of supplying sustainable investment advice, with historical uptake (however limited) important in identifying best practices and giving confidence to UHNWIs and private bankers alike that such options can be implemented in practice.

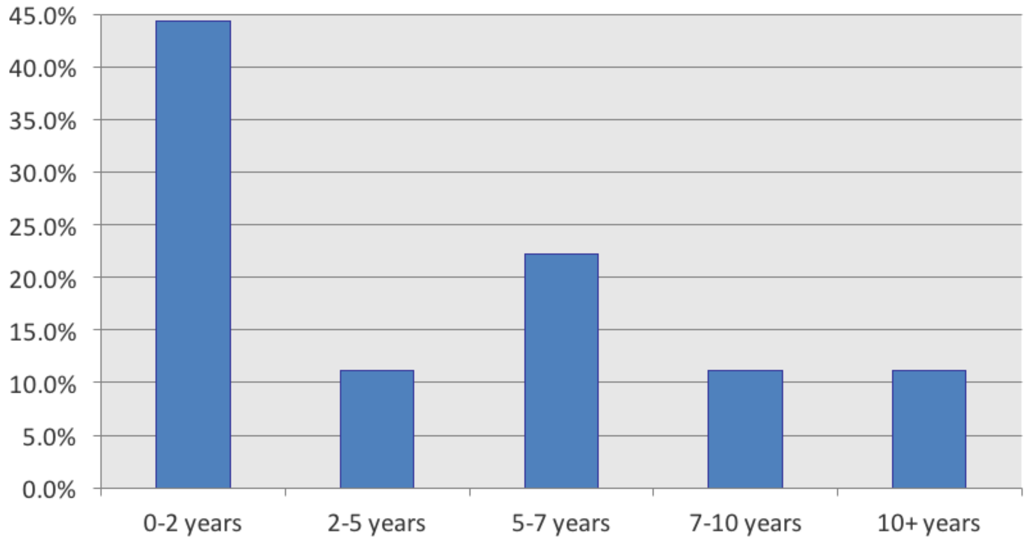

Figure 12, Length of Sustainable Investment Advice (as reported by private bankers)

5.3.3 The Complexity of Offering Sustainable Finance Products

Our interview data highlighted that many private bankers found offering sustainable finance opportunities difficult in particular because of the lack of ability to standardize offerings. Our survey respondents also supported this view, but to a slightly lesser extent, with 40% saying they found client demand for sustainable finance to be idiosyncratic (Figure 13). One of the main reasons for this was argued to be the diversity of 'issues' which might be considered a priority within 'sustainable' or 'environmental' investing: from air pollution to water scarcity to low carbon options. In interviews, bankers expressed that this diversity of issues in sustainable finance made it very time consuming and more complicated to offer. In particular, because each client had their own particular views on which areas were important to them, it was much more difficult to pool large amounts of capital into specific investment opportunities. These findings are crucial, as the lack of ability to satisfy client demand with standardized products seems to have slowed product development as a whole. Bespoke investment services are costly to offer, and unprofitable in smaller accounts. Thus the particularity of clients regarding sustainable finance seems to have created a situation where only the very highest paying clients can be catered for as they can commit large amounts of capital from a single account to a given investment.

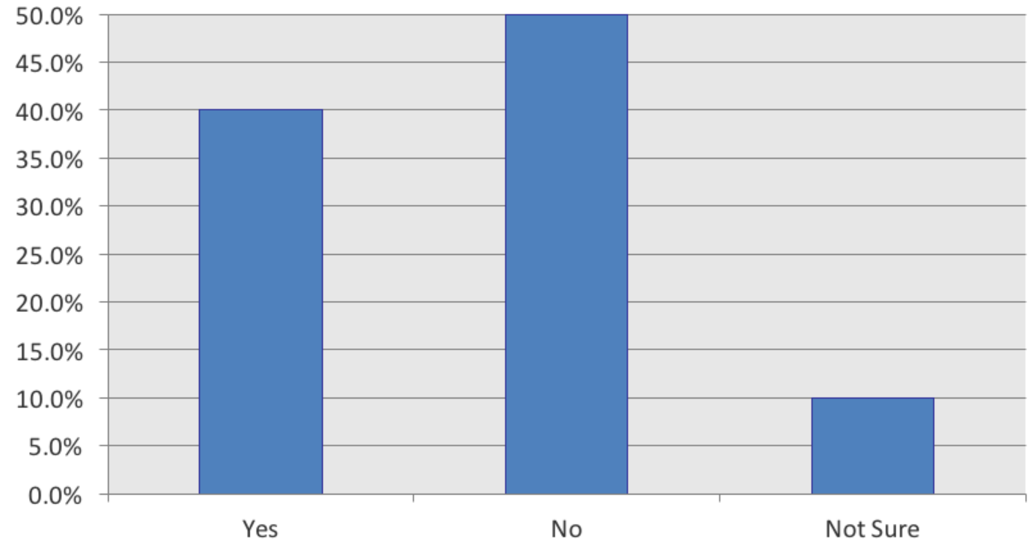

Figure 13, Is client demand for "sustainable" investment highly particular to individual personalities? (as reported by private bankers)

Furthermore, a sizable minority of private bankers (30%) said that offering such sustainable finance services had a higher regulatory cost (Figure 14). One owner of a large fund provider explained in-depth the higher cost: "Because of regulations dictating that we must justify the merits in writing of every asset we put in client accounts, we would need to hire another regulatory expert specializing in sustainable finance in order to offer such advice". Another survey respondent summarized the situation, saying "more time is needed to both find and structure the investments, they are more bespoke investments. The market is not as well developed with less providers and less variety so more due diligence is required." More due diligence equates to more man-hours of work, which means higher costs. Thus, it appears that regulations and a lack of product may be hampering the growth of sustainable finance, particularly as environmental regulations (and therefore what counts as 'sustainable') varies hugely internationally, meaning that providing an international market exposure to sustainable investments is a complex offering. However, the fact that 50% of survey respondents believed that the regulatory costs are not higher than other investment offerings suggests that once the decision to explore these offerings has been made that these costs should not remain a significant barrier.

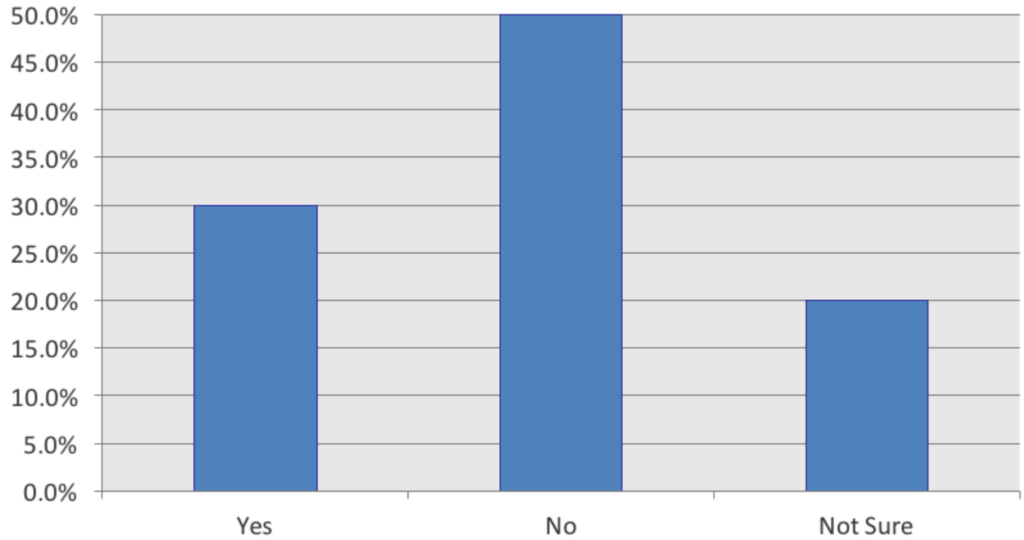

Figure 14, Do sustainable finance products have higher regulatory costs than conventional investment? (as reported by private bankers)

Continuing this theme of the complexity of supplying sustainable finance advice, 55% of survey respondents and over half of interview private banking respondents indicated that offering sustainable investment was more time-consuming than regular investment (Figure 15). Due diligence of investments (e.g. making sure that a company's activities aligned with a client's stated sustainable agenda), including for investments as simple as "screenouts", was a common example of why it is more time-consuming and costly to offer sustainable finance. One London-based banker highlighted the issue:

> *Clients are complicated in what they want—one wants no tobacco or firearms in their portfolio, another wants to make sure factory conditions are of the highest standard, another does not like gambling, while another does not like shipping companies because of their affect on marine life. Trying to marry those demands with the complicated operations of global companies, many of whom are conglomerates, takes a lot of work. We have to hire an outside firm to do the work for us because we simply don't have the man-power, but they are not cheap and it does not make sense to offer this kind of service unless it is a very large client account.*

Besides investment research, the significant time investment it took to educate oneself on sustainable finance was another example cited. Another London-based banker said "I had little support from my firm, and I had to take classes in the evening because they did not want me to take away from regular working hours. This ate into my family time and I was not compensated for it". This lack of support from private banking institutions was seen as another significant barrier to wider supply of sustainable investment advice. These points discussed above suggest that the complexity of understanding and offering sustainable investments are yet another reason for the lack of supply of sustainable investment advice and products being provided to UHNWI clients.

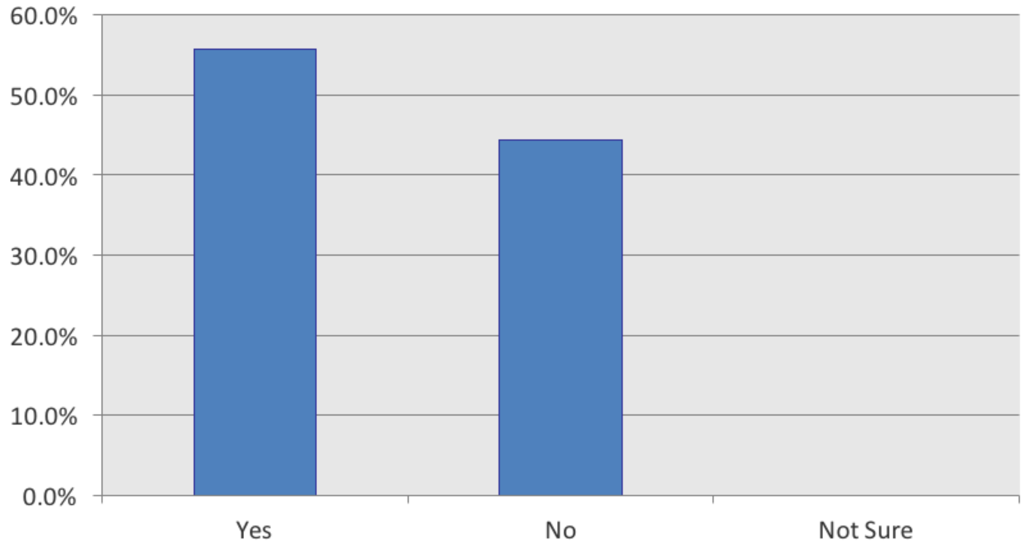

Figure 15, Is sustainable finance more time consuming to offer than conventional investment? (as reported by private bankers)

5.4 Sustainable Investment Supply – Analysis

Although our research found that some sustainable investment advice is being given, there is a general dissatisfaction regarding the quantity and quality of this advice among UHNW clients. Between our extensive interview process and the survey we distributed to private bankers, we have distilled our data down to five key barriers which appear to be limiting the supply of sustainable investment advice to the UHNW community: time constraints, training and education, profitability and regulation, skepticism of returns, professional disincentives. While we have tried to present the principal reasons from our findings, it is important to bear in mind that each private banker and private bank is unique, each with their own personal and institutional constraints. Furthermore, these barriers are not mutually exclusive but can reinforce and relate to each other.

The first issue has to deal with time. In the minds of private bankers, sustainable finance is still very much a growing space rather than a fully established one. Demand is likely to increase over time, but that means that they can still consider it speculative rather than a sure thing. Additionally, sustainable finance is a specialized sector that requires the development of a particular skillset, which takes time to build. Accordingly, many advisers are shunning the investment in time it would take to learn about the sector, although this is not the case with all private bankers. When considering this, it is important to remember a private banker's perspective: they get paid the same fee/commission regardless of what type of investment they offer—sustainable investment holds no particular reward. Therefore, the more time and effort it takes to offer one investment versus another, the comparatively less profitable it is to offer. In other words, interview participants often argued that sustainable investment is less profitable and takes more effort for bankers to offer, which coupled with the fact that they still see it as a speculative sector, means there is a heavy disincentive to put in the time necessary to develop the skillset needed to offer it, perhaps until the UHNWIs (or their children) start moving their money.

Secondly, and relatedly, there is the issue of training and education. This problem extends beyond the realm of individual private bankers and extends to the banks themselves and those in the corporate suite. Time and again in our research private bankers commented that those at the highest levels of their companies were simply not willing to commit the time and resources it would take to either develop in-house training programmes or find external companies that could provide training. This means that even those private bankers that do want to develop a specialism in sustainable finance are highly disincentivized from doing so, because they would have to do it at their own expense and in their own time. On top of the cost and hassle, there is also a lifestyle and career component to consider for private bankers. For example, it is generally a poor career choice for individual private bankers within a company to go against this cultural antipathy towards non-conventional investments by focusing on sustainable finance. On the part of management, this perspective of the sustainable sector not being worthy of investment comes back to the idea of it being "speculative", or a possible "flash in the pan" that has currently not proven economically worthy of having time and resources committed to it. This barrier is supported by research (Bourghelle, Jemel and Louche, 2009) which found that the top-down integration of belief in the value of sustainable finance is a critical component of whether sustainable finance will expand as a sector.

Thirdly, there is the issue of profitability and regulations. Going back to the idea that the more time it takes to offer a product, the less profitable it is, sustainable finance faces a serious challenge in this area. The investment it takes in time and resources coupled with the flat payout ratios of sustainable mean it is potentially a lower margin product to offer. However, there is actually much more to the profitability question than that. An additional consideration raised in the interviews is the so-called "suitability report", which is a rule in the UK whereby all wealth managers must declare all investments they are making for clients and give a justification for doing so. The idea behind the rule is that managers need to do what is in clients' best interests. However, because sustainable investments tend to be smaller and younger companies, they often have low liquidity, and thus higher volatility than larger, more established companies. Accordingly, it is harder for a wealth manager to justify putting it in a client's portfolio. Additionally, if managers were to begin offering sustainable investment, they could perhaps need to hire more manpower—reportedly quite expensive—to be able to create such documentation. Investment research is yet another consideration in profitability. One of the key ways that investors seek to "decarbonize" their portfolios is through "screening out" "bad" companies and sectors which are seen to be the most environmentally damaging. However, doing so takes time and investment as it entails a large research capacity to find and sort out the good companies/projects from the bad. This equates to additional man-hours or the hiring of external specialists, and it therefore raises the cost to the firm to offer sustainable investment, and thus has the effect of lowering profitability.

Fourthly – and we have already touched on this issue in our previous points in relation to both supply and demand – there is a widespread belief in the private banking industry that sustainable investments will always have a lower return than conventional investment because of their very nature. Since they are inherently seen to have a philanthropic component—doing "good"—it is thought by many that they will always return less than a comparable conventional investment. Though there is little evidence to verify this idea—several studies show that sustainable investment has actually outperformed conventional investment (Clark et al. 2014)—it is utterly pervasive and has a profound impact on the sustainable finance sector according to our research participants. Because wealth managers have a strong interest in putting client assets into the highest performing investment, the idea that sustainable will return less means they have a heavy disincentive to commit capital to it and are therefore less willing to recommend or advise on such investments.

Fifthly, and finally, private bankers have serious personal and professional disincentives which keep them from offering more sustainable investment. According to our informants, private bankers view themselves as "guardians of capital", meaning they see themselves as having the primary duty of protecting the wealth of clients rather than seeking to grow it, linked to the behavioural heuristic known as the endowment effect (Kahneman, Knetsch and Thaler, 1991). Private bankers have a common joke that that they only ever get fired by clients if they do very poorly, but if the do very well they get little direct reward (other than making the firm more money). This idea needs to be coupled with the commonly held belief that not only will sustainable investment underperform conventional investment, but that the sector has higher "beta", or prices that will swing farther than the average stock, especially to the downside. Therefore, in their view, the "risks of taking risk" with client capital is highly skewed to the downside, as they stand to lose their job if things don't go well, but if they do go well, they get comparatively little reward. As one may expect, this situation exerts a strong bias amongst bankers towards putting client capital in investments which they view as safe, and that is not at all how they think about the sustainable sector. Thus, private bankers have made a habit of excluding sustainable products from client portfolios.

5.5 Sustainable Finance Conclusion

This section of our working paper has sought to illuminate the existing supply and demand of sustainable investment advice among UHNWIs and their private bankers. Many private bankers communicated to us that sustainable finance had become a buzzword in the industry, and a topic that many new clients—especially institutions—always asked about. Because of these inquiries and the growing demand for positive environmental impact, sustainable investment has become a "must have" capability for private banks, or in the words of a banker, "a box which must be ticked". Bankers said that they constantly received questions about sustainable finance, and had to advertise they had the capabilities. However, in reality, little investment ever ended up flowing into the space, aided by the knowledge that UHNWIs are unlikely to change their private banking partnerships regardless of their disappointment with the lack of action.

As such, supply of sustainable investment advice still faces many barriers, with several research participants commenting that many private banks see sustainable finance as a marketing priority rather than an investment one. This existence as a marketing-only concept can be seen in Figure 1.1, where the sustainable finance division of private banks is siloed off from the core investment business. Because sustainable finance is not yet a true investment imperative, our research also found that the small team that private banks had working in the sustainable space were usually completely isolated from the actual bankers managing clients and those making investment decisions, and that costs of offering such advice were still high due to the lack of standardized products and industry-wide knowledge sharing. Until sustainable finance offerings and education are integrated top-down into the cost and incentive structures of private banks, it is unlikely that the growing demand from UHNWIs (and particularly the next generation of UHNWIs) will be sufficiently met, either to meet expectations or to help facilitate the transition to a lower carbon economy.

6. Conclusion

UHNWIs are a growing investment force in their own right, but they must be understood within the context of the evolving private banking industry. This research has shown that although both geography and investor background do have an influence on UHNWIs' investment choices, we found that private bankers play an outsized role in capital allocation decisions. Generally speaking, those at the top end of the wealth spectrum had a wider range of investment options, but bankers still guide and facilitate such investment. Therefore, private bankers are a key group to understand in order to both illuminate the investment practices of UHNWIs and facilitate a mobilization of sustainable finance.

Our research also showed that while there is a good deal of interest in sustainable finance, UHNWIs are not satisfied with their private bankers' services in this regard, nor generally. The supply of sustainable investment advice from bankers to UHNWIs suffers from a number of barriers. On the part of individuals this has to do with a lack of accurate sustainable investment measurement and reporting, as well as inertia on the part of their bankers. For bankers, time constraints, a lack of incentives, and an absence of training on sustainable investment were key obstacles. A belief that sustainable investment had lower returns was a key barrier to demand and supply of sustainable investment opportunities for both groups.

We have identified a fundamental "chicken and egg" type problem: is the current lack of sustainable finance a supply-led or demand-led issue? Are ultra high-net-worth individuals simply not proving to private banks that they are willing to undertake sustainable investments, nor satisfying banks' need to know there is a significant fee pool to be earned from development of more products in the space? Or, is it the fault of private banks and other asset managers for not moving quickly enough to capitalize on demonstrable demand from investors? In our opinion, it is some of both, but we believe that the private banking side has more work to do to alleviate the problem.

There appears to be positive movement in both regards, which suggests that over time this dilemma could be overcome. Our research, in line with other literatures (e.g. US Trust, 2016), found that there is a common view in the market that demand for sustainable finance is likely to increase dramatically in the coming decade as more women and younger generations inherit more wealth. Furthermore, a number of private banks and asset managers do appear to be increasing the supply of sustainable finance options, including green bonds and sustainable ETFs, although this needs to be scaled up, and enabled through greater education of banking staff and their clients regarding the opportunities and risks of sustainable finance.

Thus, our view is that sustainable finance is likely to experience a surge of popularity in the next decade, as the economic incentives for private banks and asset managers win out over the institutional constraints and inertia currently seen in the sector. To help speed up this shift towards sustainable finance, we have produced recommendations, based on this working paper, for different actors.

6.1 Recommendations

1) For UHNWIs with a preference for sustainable finance

We found that the sustainable finance offerings from private banks differed significantly from firm to firm, so we recommend that UHNWIs pay close attention to the sustainable finance services offered by their private bankers when initially choosing their bankers, and throughout the relationship. Private banks might not necessarily advertise all the offerings available due to the siloing of sustainable options and the lack of incentives to provide sustainable investment advice.

We found that private bankers often try to avoid sustainable finance options due to a lack of expertise, and perceptions of higher costs and lower returns. We recommend that UHNWIs who have a strong preference for sustainable finance put pressure on their private bankers to provide suitable offerings, and emphasize their strong preference rather than allow private bankers to dictate investment priorities. UHNWIs might have to be prepared to end their relationship with banks and advisers if they are unhappy with the quality and quantity of sustainable finance advice. This dissatisfaction seems to quite easily arise due to complacency within some private banks.

We found that there is still a considerable debate among individuals regarding the financial viability of sustainable finance options, and a lack of education around the financial materiality of environmental issues. As such, we recommend that UHNWIs interested in sustainable finance take the time to educate themselves with reference to the literature which supports the need for sustainable finance and the potential for positive returns, so that they can argue strongly for sustainable investment, whether against private bankers or within their own family.

2) For private banks catering for interested UHNWIs

Our research has shown that there is a substantial group of UHNWIs who have an active interest in the sustainable finance sector and are eager to receive more advice in the area. We thus recommend that private bankers begin earnestly exploring the priorities of their own clients, invest in the education of bank staff to better respond to client requests, and develop sustainable finance products when demand is identified.

We found that sustainable finance experts often remain siloed from mainstream private banking teams. We would encourage private bankers to create better connections with sustainable funds and product providers, and to foster better coordination with other financial institutions in order to offer a broader range of sustainable investment opportunities, including in both developed and developing markets.

Our research has highlighted the industry belief that the sustainable finance industry is set to grow rapidly over the next two decades as younger generations inherit wealth. Younger generations, in particular Generation X and Millennials, have a much higher interest in sustainable finance than their Baby Boomer parents, and considering the trillions of dollars which will be passed down, we believe private banks should consider this to be a major business catalyst for sustainable finance.

3) For organisations concerned with asset owner capital flowing to support sustainability

We recommend that further research is conducted into the demand and supply of sustainable finance among UHNWIs, and that greater engagement is focused on this group of actors who have significant financial and political capital. Our working paper outlines five key barriers to further demand from UHNWI, namely measurement and reporting, a generational gap, skepticism over returns, importance versus other concerns, and inertia on the part of private bankers.

Our research shows clearly that more advice and education is needed on both the parts of UHNWIs and private bankers, so organisations looking to promote more sustainable finance would do well to engage directly with these actors and fill these knowledge gaps. We consider the demonstration of demand and better education of all parties to be the keys which will unlock more sustainable finance.

4) For Researchers

Both private banks and UHNWIs are poorly covered in the literature and we hope that our working paper will serve as a starting point for developing novel research along three different themes. Firstly, we would recommend researchers explore further our elucidation of the importance of geography in determining the focus and location of UHNWI investments. Secondly, we hope that our study of the function and incentives of private bankers serves as a gateway for more research on this growing and important part of the investment value chain. Finally, we recommend that further research explores the current barriers to private banks undertaking more sustainable investment on behalf of their UHNWIs clients and examines the regulatory, educational, institutional and socio-cultural options available to reduce these barriers.

Geographically, we recommend that our research can be extended through the study of three other distinct geographic areas that our research has highlighted as potentially interesting.

- Firstly, this research could be expanded to the US West Coast, where a special relationship exists both between UHNWI clients and private bankers as well as with sustainable finance. In particular, this area sees a great deal of proactive private market venture-style investment, and more needs to be done to understand the forces driving that trend.

- Secondly, in the Middle East, where energy priorities are changing quickly and an entirely different perspective on both investing and sustainable exists. Our preliminary research indicates that the unique mix of fossil fuel reliance and Islamic finance will provide a sharp contrast to the relationships between private banker and sustainable energy seen in Europe and the US.

- Finally, to East Asia, in particular Japan and China. In the case of the former, the capital markets there have only recently "awakened" to sustainable finance and uptake appears to be at a nascent stage. China, by contrast, has become very focused on enabling sustainability. Combining this with the emergent and established wealth of the UHNWIs in each country should make for a fertile research environment.

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Appendix 1

Sample Interview Questions for UHNWIs:

1. Do you employ a private bank to help manage your assets?
2. Have you been happy with the service you have received?
3. What proportion of your wealth does your private bank manage?
4. How familiar are you with green investment?
5. Do you invest in green investment products?
6. How long have you invested in green products?
7. Are you willing to say what percentage of your portfolio is allocated to green investment?
8. Do you envision your allocation to green investment increasing in the years to come?
9. If no, why not?
10. Have you been offered green advice by the wealth management institutions you work with?
11. Have green investment considerations impacted your choice of wealth manager?
12. Would the quality of green investment advice offered impact your choice of wealth manager?
13. Do you consider other ESG issues in your investment?
14. How important to you is having a positive environmental impact?
15. How important to you is having a positive social impact?
16. Whether or not you invest, what are your main concerns regarding green investment?
17. Do you believe green investing accomplishes "good"? (social, environmental, or otherwise)?
18. Do you think green investment is important?
19. Has your view on green investment changed over time?
20. What are the main obstacles that keep you from investing (or investing more) in green products?
21. Have you been satisfied with the returns you have earned from green investment?
22. Do you expect to earn a lower return on green investment?

Sample Interview Questions for Private Bankers:

1. What is the general structure of your offerings to clients?
2. How are fees charged, on an ad valorem model, a hybrid model, or some other basis?
3. In general terms, what does your client base look like? (e.g. break down of age, nationality, and if possible, liquid asset level)
4. How do you or your firm address green investment issues?

5. How long have you offered green investments?
6. How successful do they feel your green investment has been?
7. Does your firm have any specific group dedicated to green investment?
8. Is there a framework/policy regarding the implementation of green investment firm-wide?
9. What kind of demand, if any, for green investment advice do you see from clients?
10. Do you see demand for green investment products amongst other investing groups?
11. How important is green investment to your clients?
12. Why is it important or not?
13. In your experience, does the demand vary according to any particular factors? (e.g. liquid assets level, region, personal history etc.)
14. Do you see any “generational” factors that affect demand for green investment advice?
15. Do you see more demand for green investment from older or younger clients?
16. Will you implement any service changes based on higher expected demand for green investment?
17. Is green investment viewed as having lower returns?
18. Why is green investment viewed as having lower returns?
19. Are green investment products less profitable to offer to clients?
20. Why are they less profitable to offer?
21. Have you seen demand for green investment growing in recent years?
22. What do you think would be a key catalyst to the market success of green investment?
23. On a personal level, do you have any conflicts/incentives/or disincentives that affect your providing of green investment advice?
24. Do you see uncertainty, especially surrounding government subsidies, or regulation, as a hindrance to offering/pursuing green investment advice?
25. Do you see any cultural or professional barriers to recommending green investment advice?
26. Does how your client earned their wealth seemed to have an impact on their adoption of green investment?

Appendix 2

Quantitative Survey Questions for UHNWIs:

Q1. Do you consider yourself an ultra high-net-worth individual or a private banker/private wealth manager/financial advisor?

- Ultra high-net-worth individual
- Private banker/private wealth manager/financial advisor

Q2. What kind of advice do you get from your private banker/private wealth manager/financial advisor?

- Tax advice
- Investment advice
- Inheritance advice
- Housing/mortgage advice
- Retirement advice

Q3. How much in investable assets do you have?

- $1-10m
- $10-30
- $30-100m
- $100m+
- I choose not to answer

Q4. Have you received "green" investment advice from your private bank/private wealth manager/financial advisor?

- Yes
- No
- Not Sure

Q5. Which of the following do you consider to be part of "green" investment?

- Negative Screening
- Positive Screening
- Divestment
- Socially Responsible Investment (SRI)
- ESG
- Impact Investing

Q6. Have you asked your private bank/private wealth manager/financial advisor about their "green" offerings?

- Yes
- No
- Not Sure

Q7. How interested are you in your investments having a positive social impact? (1 to 5, with 5 being most interested)

- 1
- 2
- 3
- 4

- 5

Q8. Have you become more or less interested in social and environmental causes over the last 5 years and if so, by how much?

- A lot more
- Somewhat more
- No change
- Somewhat less
- A lot less

Q9. How interested are you in your investments having a positive impact on the environment? (1 to 5, with 5 being most interested)

- 1
- 2
- 3
- 4
- 5

Q10. Have you made significant philanthropic gifts to environmental causes?

- Yes
- No

Q11. Have you made significant philanthropic gifts to social causes?

- Yes
- No

Q12. What proportion of your investment portfolio do you devote to "green" investments?

- None
- 0-10%
- 10-20%
- 20%+

Q13. To what degree do you feel that your investment choices should be aligned with your ethical and social views? (1 to 5, with 5 being perfectly aligned)

- 1
- 2
- 3
- 4
- 5

Q14. How strongly do you view your philanthropic endeavours as separate from your investment activities? (1 being they are indistinguishable, 5 being they are entirely separate)

- 1
- 2
- 3
- 4
- 5

Q15. How satisfied are you with the overall performance of your private bank/private wealth manager/financial advisor? (1 to 5, with 5 being extremely satisfied)

- 1
- 2
- 3
- 4
- 5

Q16. How satisfied are you with the "green" advice you have been given by your financial advisor/private bank? (1 to 5, with 5 being extremely satisfied)

- 1
- 2
- 3
- 4
- 5

Q17. Do you view green investment as a risk management and/or returns-maximizing strategy or is it a moral or ethical preference?

- Risk management and/or returns-maximizing
- Moral/ethical preference
- I don't see any difference between the two

Q18. What do you think is a key obstacle/s holding back "green" investment?

- Lack of products (e.g. ETFs, Mutual Funds, Green bonds etc.)
- Lack of Advice
- Lack of Investor Interest
- Poor Returns
- Lack of Liquidity
- Lack of positive impact measurement

Q19. What would be key factors in allowing you to invest more in "green" financial products?

- Better advice
- More product availability (e.g. ETFs, Mutual Funds, Green bonds etc.)
- Greater liquidity
- Better measurement of positive impact
- Better returns

Quantitative Survey Questions for Private Bankers:

Q20. What kind of clients do you have?
- Affluent (investable assets of $100,000-$1m)
- HNWI (investable assets from $1m-$30m)
- UHNWI (investable assets of $30m+)
- Institutional Investors
- Endowments
- Charities

Q21. What kind of services and advice do you provide to clients?
- Tax planning
- Investment advice
- Inheritance advice
- Housing/mortgage advice
- Retirement Advice

Q22. Which client group represents the largest for your firm?
- Private clients (Affluent, HNWI, UHNWI)
- Institutional Investors
- Endowments
- Charities

Q23. Which client group represents the largest for you?
- Private clients (Affluent, HNWI, UHNWI)
- Institutional Investors
- Endowments
- Charities

Q24. Does your company offer "green" investments to clients?
- Yes
- No
- Not Sure

Q25. What is your average length of a client relationship?
- 0-2 years
- 2-5 years
- 5-10 years
- 10-15 years
- 15 years+

Q26. Do you/have you personally offered clients "green" investments?
- Yes
- No
- Not Sure

Q27. How long has your firm been offering "green" products?
- 0-2 years
- 2-5 years
- 5-7 years

- 7-10 years
- 10+ years

Q28. How long have you personally been offering "green" products?
- 0-2 years
- 2-5 years
- 5-7 years
- 7-10 years
- 10+ years

Q29. What percentage of your client base has "green" investments that you know of?
- 0%
- 1-5%
- 5-10%
- 10-15%
- 15-20%
- 20-50%
- 50%+

Q30. How comfortable do you feel recommending "green" investments to clients? (1 to 5, with 5 being completely comfortable)
- 1
- 2
- 3
- 4
- 5

Q31. Are "green" investments less profitable to offer than traditional investments?
- Yes
- No
- Not Sure

Q32. Does offering "green" opportunities have a higher regulatory cost (in terms of time and administration etc.) than traditional products?
- Yes
- No
- Not Sure

Q33. Do you see client demand for "green" investment as highly particular to individual personalities? (e.g. some clients do not want defense and gambling stocks, while others want low carbon and no tobacco)
- Yes
- No
- Not Sure

Q34. Do you see offering "green" investment advice as difficult to achieve at scale?
- Yes
- No
- Not Sure

Q35. Are "green" investment opportunities more time-consuming to offer than traditional products?
- Yes

- No
- Not Sure

Q36. Have you ever not been able to provide "green" investment advice when you had thought it appropriate to do so?

- Yes
- No
- Not Sure

Q37. Do you believe "green" investment will become more popular as younger generations inherit wealth?

- Yes
- No

Q38. Do you view "green" investing as a lucrative business opportunity?

- Yes
- No
- Not Sure

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