

How Jersey's investment funds industry is going green

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A commitment to sustainability and environmental, social and governance considerations is more than simply "politically correct bunny-hugging," to quote the UK Prime Minister, Boris Johnson, who used the phrase earlier this year

Though I would argue, as the owner of a moody rescue rabbit called Ebenezer, that "bunny-hugging" is not for the faint-hearted, I take his point. We need concrete action, not fluffy promises.

As other international finance centres have been gearing up to capture the opportunities offered by sustainable finance, it has been clear that Jersey needs to act fast if it wants to cement its reputation as a future-focused world leader in the field.

This is why Jersey Finance has launched a long-term strategic plan to support the Island's transition to a more sustainable future, which sets out a vision and a number of objectives for where Jersey intends to be by 2030. The report also includes an initial two-year 'pathway' to deliver on those objectives.

So how does the investment funds space fit into this wider vision? What is Jersey doing to support funds with an objective to invest sustainably?

In June 2020, the Jersey Financial Services Commission published a consultation paper relating to sustainable investments and it focused on the phenomenon known as greenwashing. Greenwashing, which is an area of concern in the financial sector, sees some funds and investments overstating their sustainability credentials to appear more environmentally and socially focused than they really are.

Feedback from the first consultation showed universal support to address the risk of greenwashing. It also acknowledged that, as the world is transitioning towards a more sustainable business and

financial ecosystem, the regulatory framework for funds in Jersey ought to be flexible enough to support investment funds with genuinely sustainable investment objectives and for there to be alignment with international terminology, without being too prescriptive.

A more recent consultation, which closed mid-April, focused on the mandatory disclosure of all material information when a fund or registered person has a sustainable investment as part of its investment objective. Such material information will probably include the proportion of investments that are sustainable; the basis on which due diligence, benchmarking and performance measurement and reporting are to be conducted; any limitations to methodologies and data; and alignment with any specific taxonomy.

These proposals will impact certified funds, fund services businesses, Jersey Private Funds and their service providers, and investment businesses. The relevant Codes of Practice and the JPF Guide will also have to be updated accordingly.

These consultations are an important step on the pathway for Jersey to achieve its 2030 Vision, and implementing these proposals will help to ensure that the Island continues to be at the forefront of funds services, as it has been for the past 60 years.

If the aim of Jersey's 2030 Vision is to be recognised as the leading sustainable international finance centre in the markets it serves, there needs to be a genuine, galvanised effort across industry, alongside the government and the Jersey Finance Services Commission, to deliver on this commitment in a meaningful way. And there is evidence of this happening.

As a member of the Jersey Finance Steering Committee for Sustainable Finance, which is responsible for overseeing the implementation of the sustainable finance strategy for Jersey and the 2030 Vision, I know that Jersey is committed to coordinating on policy, legislation and regulation that supports and accelerates the delivery of the 2030 Vision, scales up sustainable finance and removes barriers.

We must ensure these are not politically correct green acts of 'bunny-hugging' but are meaningful steps to ensure the highest quality of regulation and service levels. The investment funds industry must listen to experts in the field of sustainable finance and Jersey must provide that all important substance and bolster the good governance of funds domiciled in Jersey.

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