

# Integrating ESG Criteria in Long-Term Portfolio Construction: Implications for Wealth Management and Family Offices

Aline Caroline Moraes Oliveira

**Abstract-** *This article examines the role of Environmental, Social, and Governance (ESG) criteria in the construction of long-term investment portfolios within the wealth management sector. Drawing on recent empirical research, it explores how ESG-focused portfolios compare with traditional portfolios regarding financial performance, and investigates the motivations behind the adoption of ESG products by high-net-worth individuals. The discussion extends to the practices of family offices in incorporating ESG filters into fund and company selection, highlighting both the increasing momentum and the heterogeneity of ESG implementation across regions and generations. The analysis reveals that while ESG integration is often rooted in a blend of risk management, value alignment, and evolving client expectations, it is also subject to influences of marketing and generational transitions. The article concludes that robust ESG integration can deliver competitive returns and long-term resilience, contingent upon rigorous strategy implementation and ongoing improvements in ESG standards and data quality.*

**Keywords:** *ESG Integration, Portfolio Management, Long-Term Investment, Wealth Management, Family Offices, Sustainable Investing, Risk Management, ESG Performance, High-Net-Worth Individuals, Generational Shift.*

## I. INTRODUCTION

The integration of Environmental, Social, and Governance (ESG) criteria into portfolio management has become a defining trend in the construction of long-term investment strategies, particularly in the context of wealth management and high-net-worth (HNW) individuals. Historically, portfolio construction focused almost exclusively on financial metrics and risk-return optimization; however, the rise of ESG as both a risk management tool and a source of potential outperformance has challenged traditional paradigms. Empirical research indicates a growing

body of evidence supporting the view that portfolios with high ESG scores can match or even outperform conventional portfolios over long-term horizons, particularly when considering risk-adjusted returns. For example, Friede, Busch, and Bassen (2015) conducted a comprehensive meta-analysis of over 2,000 empirical studies and found that the majority reported a positive relationship between ESG criteria and corporate financial performance. Similarly, Amel-Zadeh and Serafeim (2018) note that ESG integration is often associated with downside risk mitigation and resilience in periods of market stress, adding a layer of defensiveness not always captured by traditional financial analysis.

These performance outcomes are especially relevant for family offices and HNW investors, who typically pursue multi-generational wealth preservation and are keenly attentive to long-term risks, such as climate change, regulatory shifts, and reputational exposure. The adoption of ESG products among high-net-worth clients, however, raises questions regarding the underlying motivations: is ESG investing a genuine reflection of client conviction or merely a response to prevailing marketing and societal trends? A report by the Global Sustainable Investment Alliance (GSIA, 2020) observes that while interest in ESG-themed products among HNWIs has surged, there remains a significant component driven by demand for alignment with personal and family values, as well as by next-generation investors who often place higher priority on sustainability than their predecessors. Conversely, some industry analyses argue that a subset of ESG product uptake is indeed influenced by branding and "greenwashing," with financial institutions quick to capitalize on the marketing appeal of ESG without always ensuring the rigor of underlying strategies (Berg, Kölbel, & Rigobon, 2022).

Family offices, by virtue of their discretion and extensive control over asset selection, are uniquely positioned to pioneer or resist ESG integration in portfolio construction. Research by Marti and Scherer (2021) shows that many family offices are increasingly employing ESG filters in fund and company selection, citing long-term risk management, alignment with family values, and the avoidance of negative externalities as primary drivers. However, actual implementation is highly heterogeneous; regional, generational, and philosophical differences among principal family members can result in varied levels of ESG adoption. Evidence from the UBS Global Family Office Report (2022) highlights that while European and North American family offices are more likely to employ ESG screening, some family offices, particularly in regions with less regulatory pressure or more conservative investment culture, remain reticent, citing skepticism over the consistency of ESG data and concerns about potential trade-offs with returns.

The flowchart visually summarizes the key aspects of integrating ESG criteria into long-term portfolio management for wealth management and family offices. It begins with the comparison of ESG-focused portfolios versus traditional portfolios, highlighting performance and risk management benefits. The next section addresses the motivations for adopting ESG products by high-net-worth clients, distinguishing between genuine conviction and marketing influence. Finally, it illustrates how family offices incorporate ESG filters in their investment selection processes, emphasizing the diversity of approaches driven by regional, generational, and cultural factors. Overall, the flowchart captures the interconnected themes of ESG performance, client motivations, and practical implementation in portfolio construction.



Figure 1. Flowchart of ESG Integration in Long-Term Portfolio Management.

Source: Created by author.

In essence, the integration of ESG criteria in long-term portfolio construction represents a complex interplay between performance evidence, client values, and evolving regulatory norms. While empirical studies broadly support the notion that ESG portfolios can deliver competitive—and sometimes superior—results relative to traditional approaches, particularly when activated through robust and transparent selection processes, the ultimate impetus for ESG adoption in the wealth management space reflects a nuanced mix of conviction, marketing, and generational dynamics. The ongoing evolution of ESG standards and data quality, as well as the maturing expectations of wealthy clients and their advisors, are likely to further shape how ESG integration is operationalized in practice over the coming decades.

## REFERENCES

- [1] Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2,000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210-233.
- Amel-Zadeh, A., & Serafeim, G. (2018). Why and How Investors Use ESG Information: Evidence from a Global Survey. *Financial Analysts Journal*, 74(3), 87-103.
- Berg, F., Kölbel, J., & Rigobon, R. (2022). Aggregate Confusion: The Divergence of ESG Ratings. *Review of Finance*, 26(6), 1315-1344.
- Global Sustainable Investment Alliance (GSIA). (2020). *Global Sustainable Investment Review 2020*.
- Marti, C., & Scherer, B. (2021). Family Offices and Responsible Investing: Motivations, Approaches, and Challenges. *Journal of Wealth Management*, 24(2), 123-137.
- UBS. (2022). *Global Family Office Report 2022*.
- [2] SANTOS,Hugo;PESSOA,EliomarGotardi.Impa ctsofdigitalizationontheefficiencyandqualityofp ublicservices:Acomprehensiveanalysis.LUMEN ETVIRTUS,[S.l.],v.15,n.40,p.44094414,2024.D OI:10.56238/levv15n40024.Disponívelem:https://periodicos.newsciencepubl.com/LEV/article/vi ew/452.Acessoem:25jan.2025.

- [3] Filho, W. L. R. (2025). The Role of Zero Trust Architecture in Modern Cybersecurity: Integration with IAM and Emerging Technologies. *Brazilian Journal of Development*, 11(1), e76836. <https://doi.org/10.34117/bjdv11n1-060>
- [4] Oliveira, C. E. C. de. (2025). Gentrification, urban revitalization, and social equity: challenges and solutions. *Brazilian Journal of Development*, 11(2), e77293. <https://doi.org/10.34117/bjdv11n2-010>
- [5] Pessoa, E. G. (2024). Pavimentos permeáveis uma solução sustentável. *Revista Sistemática*, 14(3), 594–599. <https://doi.org/10.56238/rcsv14n3-012>
- [6] Filho, W. L. R. (2025). THE ROLE OF AI IN ENHANCING IDENTITY AND ACCESS MANAGEMENT SYSTEMS. *International Seven Journal of Multidisciplinary*, 1(2). <https://doi.org/10.56238/isevmjv1n2-011>
- [7] Antonio, S. L. (2025). Technological innovations and geomechanical challenges in Midland Basin Drilling. *Brazilian Journal of Development*, 11(3), e78097. <https://doi.org/10.34117/bjdv11n3-005>
- [8] Pessoa, E. G. (2024). Pavimentos permeáveis uma solução sustentável. *Revista Sistemática*, 14(3), 594–599. <https://doi.org/10.56238/rcsv14n3-012>
- [9] Pessoa, E. G. (2024). Pavimentos permeáveis uma solução sustentável. *Revista Sistemática*, 14(3), 594–599. <https://doi.org/10.56238/rcsv14n3-012>
- [10] Eliomar Gotardi Pessoa, & Coautora: Glaucia Brandão Freitas. (2022). ANÁLISE DE CUSTO DE PAVIMENTOS PERMEÁVEIS EM BLOCO DE CONCRETO UTILIZANDO BIM (BUILDING INFORMATION MODELING). *Revistaft*, 26(111), 86. <https://doi.org/10.5281/zenodo.10022486>
- [11] Eliomar Gotardi Pessoa, Gabriel Seixas Pinto Azevedo Benitez, Nathalia Pizzol de Oliveira, & Vitor Borges Ferreira Leite. (2022). ANÁLISE COMPARATIVA ENTRE RESULTADOS EXPERIMENTAIS E TEÓRICOS DE UMA ESTACA COM CARGA HORIZONTAL APLICADA NO TOPO. *Revistaft*, 27(119), 67. <https://doi.org/10.5281/zenodo.7626667>
- [12] Eliomar Gotardi Pessoa, & Coautora: Glaucia Brandão Freitas. (2022). ANÁLISE COMPARATIVA ENTRE RESULTADOS TEÓRICOS DA DEFLEXÃO DE UMA LAJE PLANA COM CARGA DISTRIBUÍDA PELO MÉTODO DE EQUAÇÃO DE DIFERENCIAL DE LAGRANGE POR SÉRIE DE FOURIER DUPLA E MODELAGEM NUMÉRICA PELO SOFTWARE SAP2000. *Revistaft*, 26(111), 43. <https://doi.org/10.5281/zenodo.10019943>
- [13] Pessoa, E. G. (2025). Optimizing helical pile foundations: a comprehensive study on displaced soil volume and group behavior. *Brazilian Journal of Development*, 11(4), e79278. <https://doi.org/10.34117/bjdv11n4-047>
- [14] Pessoa, E. G. (2025). Utilizing recycled construction and demolition waste in permeable pavements for sustainable urban infrastructure. *Brazilian Journal of Development*, 11(4), e79277. <https://doi.org/10.34117/bjdv11n4-046>
- [15] Testoni, F. O. (2025). Niche accounting firms and the brazilian immigrant community in the U.S.: a study of cultural specialization and inclusive growth. *Brazilian Journal of Development*, 11(5), e79627. <https://doi.org/10.34117/bjdv11n5-034>
- [16] Silva, J. F. (2025). Desafios e barreiras jurídicas para o acesso à inclusão de crianças autistas em ambientes educacionais e comerciais. *Brazilian Journal of Development*, 11(5), e79489. <https://doi.org/10.34117/bjdv11n5-011>
- [17] Silva, E. N. da. (2025). Urban circular microfactories: local micro-plants for regenerative urban economies. *Brazilian Journal of Development*, 11(9), e82335. <https://doi.org/10.34117/bjdv11n9-059>
- [18] DA SILVA, Eduardo Nunes. GREEN NANOTECHNOLOGY APPLIED TO CIRCULAR MANUFACTURING. *LUMEN ET VIRTUS, [S. l.]*, v. 14, n. 32, 2024. DOI: 10.56238/levv14n32-029. Disponível em: <https://periodicos.newsciencepubl.com/LEV/article/view/AEW09>. Acesso em: 4 nov. 2025.

- [19] Recycling of Rare Earth Elements Using Ionic Liquids for Regenerative Manufacturing. (2023). *International Seven Journal of Multidisciplinary*, 2(5). <https://doi.org/10.56238/isevmjv2n5-037>