

Insights on ESG Investing of Family Offices/HNWI in ASEAN



Prepared by: Ben Lai HongXing/Wang Lai/Tang Zhengjianghang /Shi Yunshu

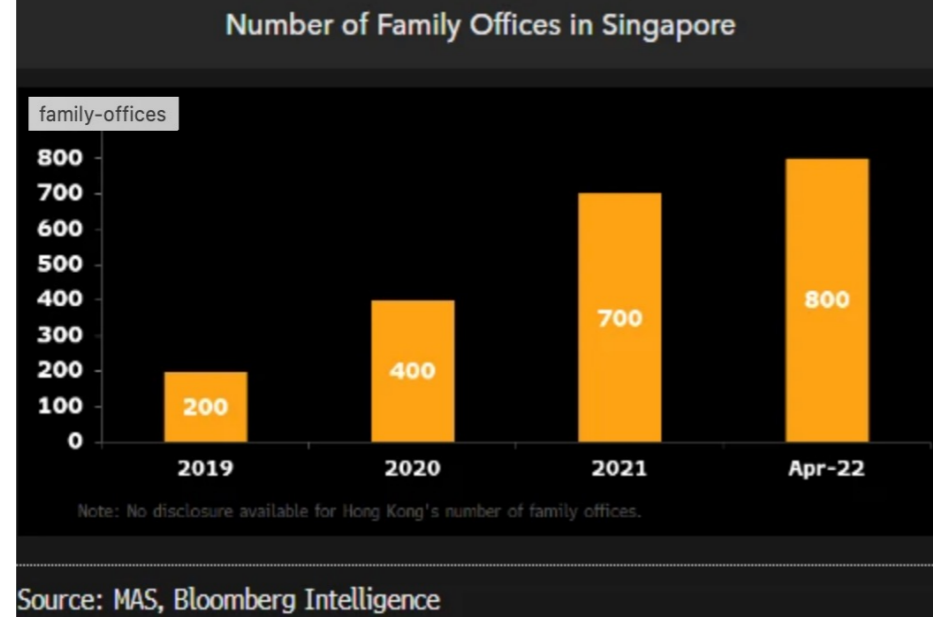


Supervised by: Associate Professor Zhang Weina Associate Professor Ben Charoenwong



Problem Statement

- Singapore has seen an influx of high-net-worth individuals (HNWI) setting up Family Offices (FO) in the country recently.
- CGSI sees ESG investing gain more traction in Asia as the world increasingly need to tackle ESG-related issues in future years.
- CGSI currently has little visibility on the ESG awareness and ESG investing preferences of HNWI/FO in ASEAN, particularly Singapore.



Survey Design Considerations

Reduced survey length
Respondents are only exposed to the questions they need to answer reducing the overall length of the survey in the questions

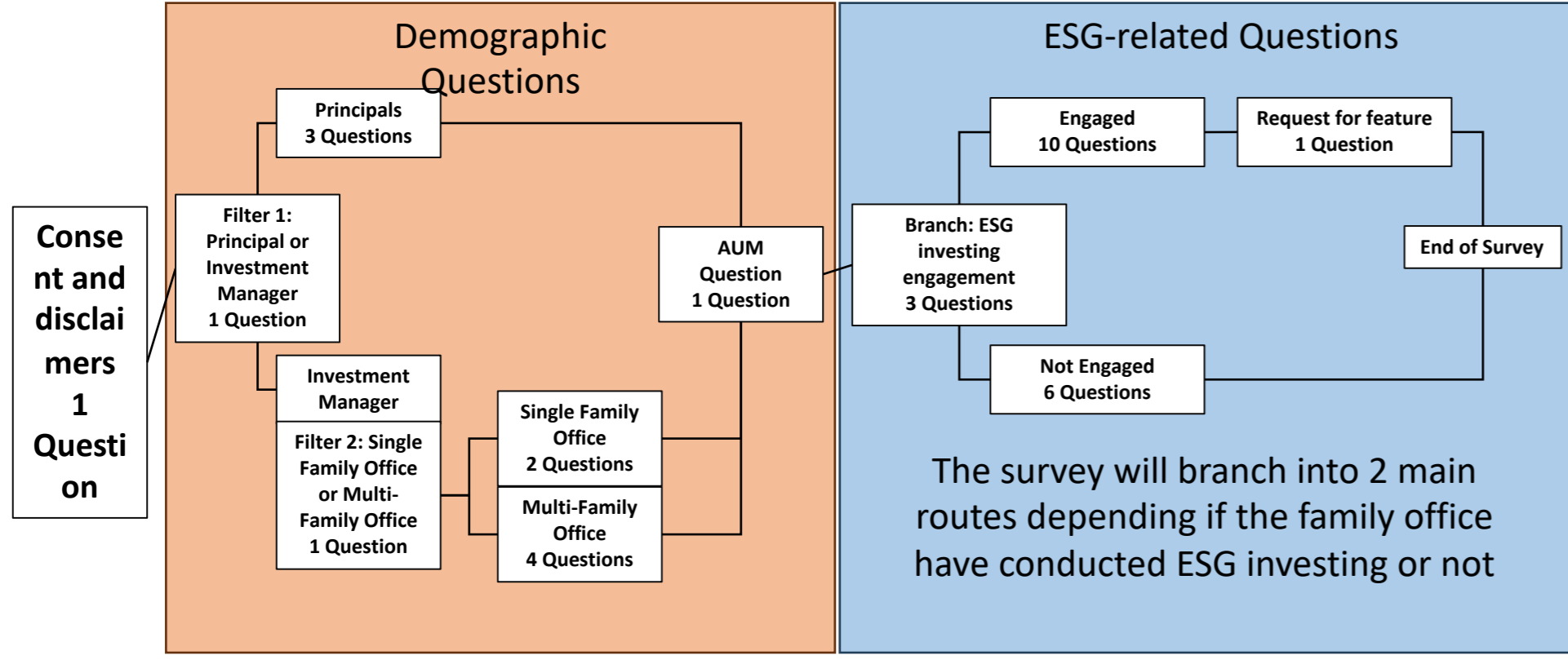
2 filter branch to determine if they have engaged in ESG investing
Focused questions depending if they have engaged in ESG or not

Specific demographic questions
Variation in the demographic questions based on the respondent role as principal or investment manager

Cross-platform friendly
Short pages allows better experience for mobile users and overall compatibility with multiple devices

Better focus and reduced completion time
Short pages allows respondents to quickly fill the survey and reduce survey fatigue

Survey Structure



Estimated time for completion: 3 to 5 Mins

Survey Invitation Sample



Study: Family Office ESG Investing in Climate Action

Invitation to participate in a 3-minute survey to uncover ESG awareness and investing preferences of Family Offices in APAC and to understand the dynamics within the Family Office in ESG investing.

Research Output: Report / Whitepaper

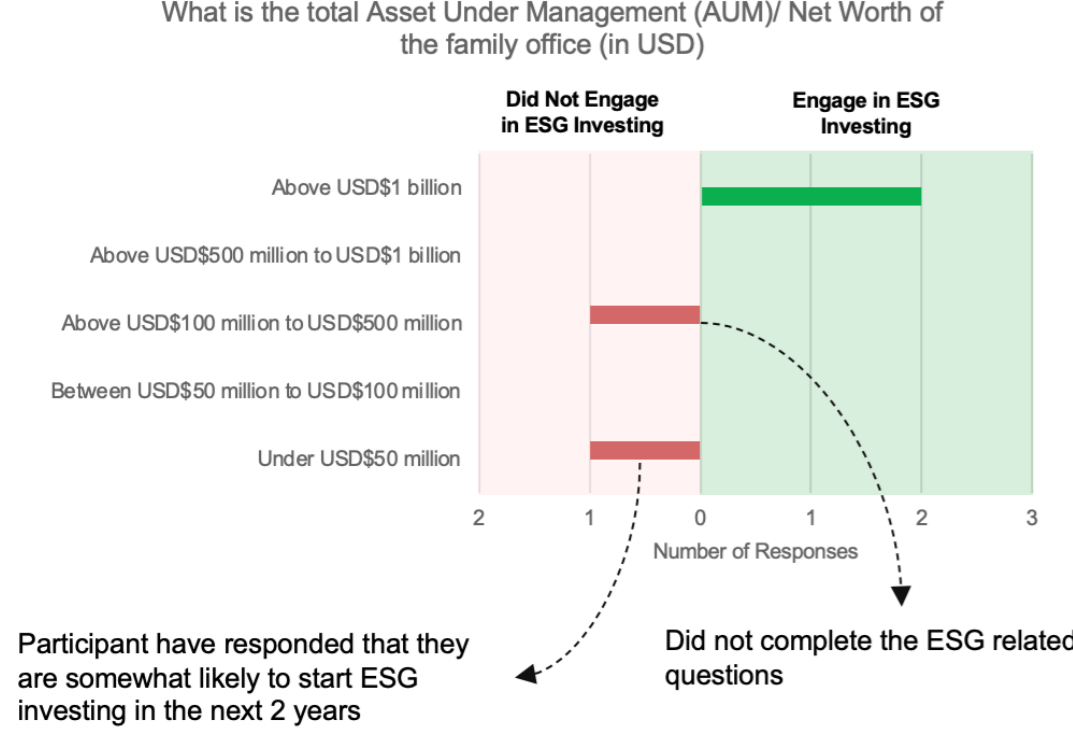
Please access the survey via the QR code or the link provided:



<https://www.surveymonkey.com/r/9YYW9DY>

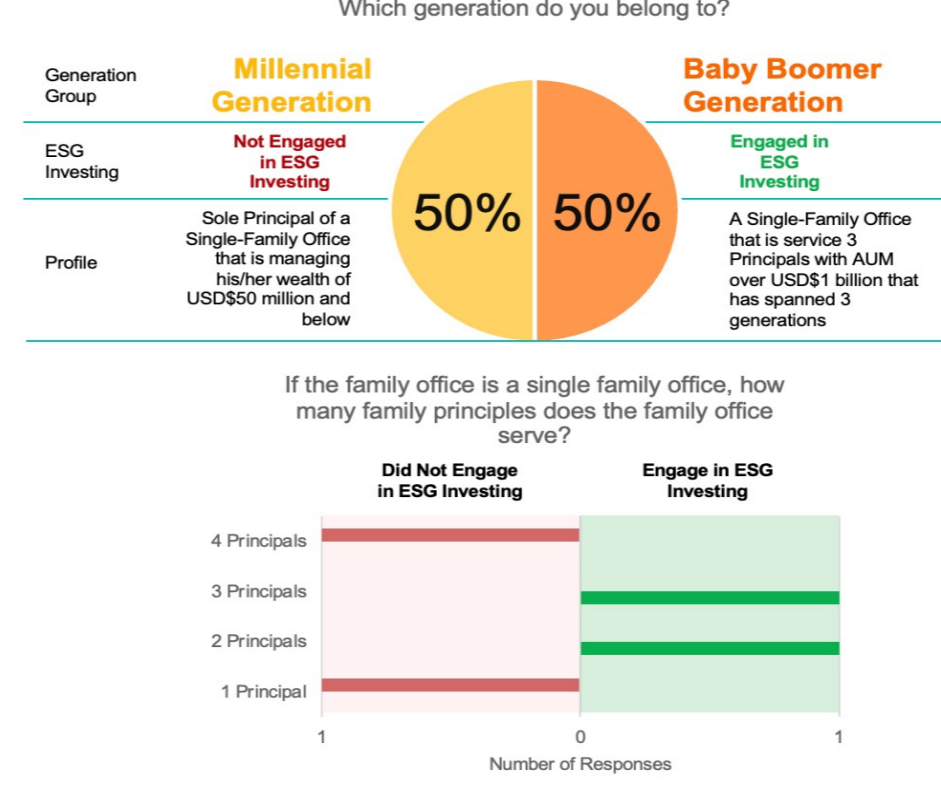
Demographic Analysis base on Survey Result

AUM / Investor Size and ESG Investing



- Results:**
- Participants with AUM 'USD\$1 billion and above' and above have indicated that they currently **engaged** in ESG investing
 - Participants with AUM 'under USD\$1 billion' have indicated they currently **do not engage** with ESG investing
 - Of the participants that do not engage in ESG Investing 1 participant with AUM under USD\$50 million have indicated that they are somewhat likely to engage in ESG investing in the next 2 years
- Insights:**
- It can be hypothesised that Family Offices of a certain size may have a stronger appetite for ESG investing
 - Further hypothesis that smaller Family Offices may increase their demand for ESG investments in the next 2 years

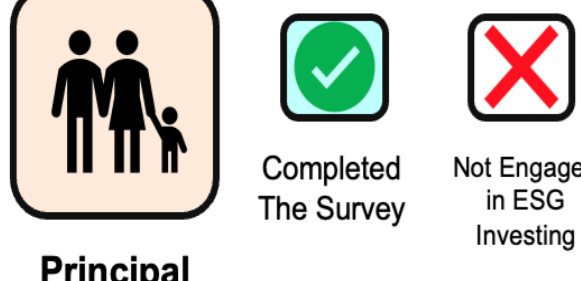
Generational Difference / Number of Principals and ESG Investing



- Results:**
- There are 2 Family Office principals that have participated in the survey
 - 1 Participant that have indicated that they have engaged in ESG investing belong to the 'Baby Boomer Generation' (age 60 to 78)
 - 1 Participant that have indicated that they do not engage in ESG investing belong to the 'Millennial Generation' (age 28 to 43)
 - We examine the Family Office size in terms of how many principals do they serve and did not find any clear indication that it have a clear impact to ESG investing
- Insights:**
- The conventional narrative is that younger generations are more likely engage in ESG investing as compared to older generation
 - We may hypothesise from the data that older generation principals from more mature Family Offices may have an appetite for ESG investing and should also be engaged for ESG investing
 - Cognizant of the fact the sample size is too small to establish any credible findings of such nature at this juncture

Profile Case Study: Principal & Investment Manager

Profile Analysis



- Located in Singapore
- Single Family Office
- 1 Principal within the FO
- Wealth Spanning across 1 Generation
- AUM: Under USD\$50 million
- Millennials Age Group (Age 28 to 43)

PRINCIPAL

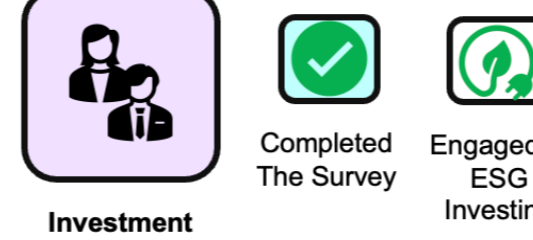
Profile Insights

- The respondent is likely the founder of the family office
- First generation within the family that come into wealth
- Indication through the size and maturity of the family office is that it is relatively nascent

Insights

- Barriers to ESG investing indicates practical constraints and considerations that may relate to size and maturity of the family office
- Attitude towards ESG investing indicates a level of scepticism of ESG and investment performance however still maintains somewhat 'on the fence' stance
- Responses from factors that can motivate this profile to adopt ESG investing are highly indicative as solutions to address the barriers of entry
- Therefore, it presents a possibility to tilt the profile towards ESG investing if it is presented with clear benefits and ease of implementation to their ESG strategy

Profile Analysis



- Located in Singapore
- Single Family Office
- 2 Principals within the FO
- Wealth Spanning across 3 Generation
- AUM: Above USD\$1 billion

- Profile Insights**
- Relatively large and mature family office
 - Established over a long period of time

INVESTMENT MANAGER

As the Investment Manager of the Family Office how important are ESG factors/integration to the family office's investing decisions?

How involved are you as the Investment Manager are in setting the ESG investing policy or strategy?

How much does the principal(s) drive ESG investing policy or values?

How long since has the family office started ESG investing?

Do you expect financial institutions to be able to provide meaningful support or consultation and unbiased ESG related advice?

What is the focus areas that are currently invested in for ESG investing (Higher ranking denotes more importance)

What are the asset classes allocated to ESG investments (select all that apply and provide their weights in %)

How much Asset Under Management (AUM) is allocated to ESG investing?

How does the family office weigh the impact or returns in ESG investing?

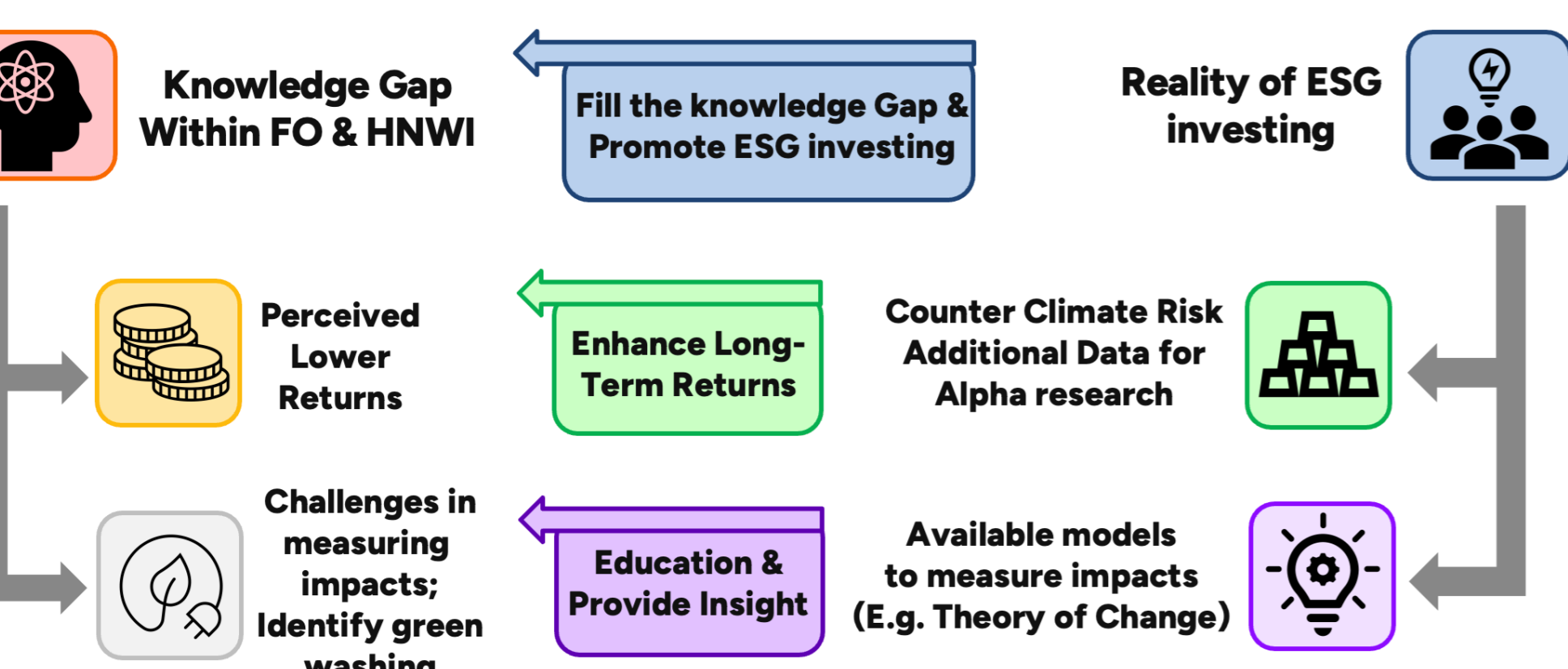
What is the geographical allocation of your ESG investments, if any? (please provide their weights in %)

30%

Conclusion & Recommendation for Company

Conclusions

- Generational Shift in ESG investing**
Younger generation & family members are more likely to prioritize ESG factors in their investing decisions.
- Regional Difference in ESG investing**
Family Office in EU and APAC show higher engagement in ESG investing. EU leads in ESG investing.
- Returns of ESG investing**
Potential trade-off between returns and ESG benefits. However, ESG can potentially reduce risk and increase long term returns.
- Challenges in ESG investing**
Family Office find it hard to identify genuine opportunity. Also, impact measurement is difficult to perform.
- Strategies in ESG investing**
Popular strategies include exclusion-based investment and ESG integration.



	Private Market	Public Market
		Primary Issuance
Financial Instruments	<ul style="list-style-type: none"> Funds (Hedge Funds, Impact Funds, Thematic Funds) Private Equity Venture Capital Impact Investing Project Finance 	<ul style="list-style-type: none"> Initial Public Offerings Green / Sustainability / Sustainability-Linked Bonds
Challenges	<ul style="list-style-type: none"> Family Offices may lack the network to be able to source or originate such opportunities 	<ul style="list-style-type: none"> Potential issuers may not have the capabilities to formulate their green, sustainable, or transition financing frameworks that can meet market standards Lack of consistent and reliable ESG data of securities
Recommendations	<ul style="list-style-type: none"> ESG Deal origination services Develop a network to match entities that provide blended finance to project or deals Act as Introducers between family offices and ESG/Sustainability Fund Managers of Sustainability Thematic Funds 	<ul style="list-style-type: none"> Green / Sustainability / Transition Finance Framework Advisory Taxonomy/Guidelines Alignment Sustainability KPI and SPT setting
Cross-Market Recommendations	<ul style="list-style-type: none"> Knowledge and capacity building with Family Offices Engage both current gen and next gen principals early to develop relationship and to build awareness and knowledge in ESG investing, as well as renewing relationship with the family office over the generations Advisory services to market the right ESG investment to the right investor Include ESG related risk and opportunities considerations when onboarding new clients or conducting review with existing clients to offer the right ESG products and services to integrate ESG into their investment portfolios Increase the ESG products offering to mainstream ESG investing, either through in-house offerings or strategic partnerships PCAF Financed Emissions Estimation Enable institutional investors to estimate their financed emissions (Scope 3 – Pillar 15 investments) in order measure and managed carbon footprint at the portfolio level or at the asset level 	<ul style="list-style-type: none"> Providing accessible and reliable ESG data for family offices to integrate ESG in their investing strategies Integration of ESG screening for different security type Integration of ESG risk for portfolio management tools ESG stewardship and voting tools