

# Spotlight on Family Offices

A newsletter series by KPMG China's Private Enterprise team sharing insights on developments in the family offices market

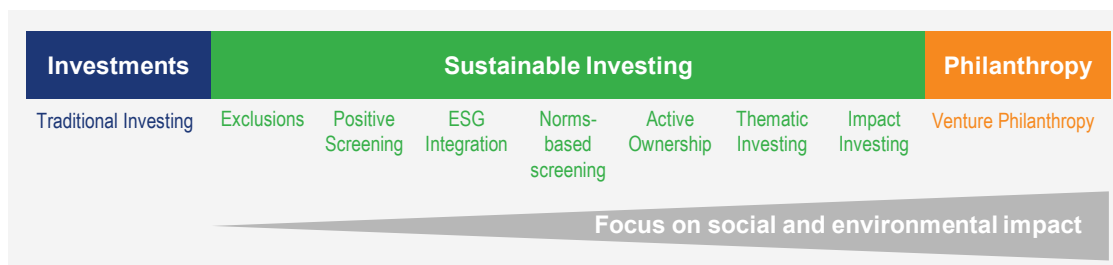
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Amid continuing market uncertainties weighing on investor sentiment, environmental, social and governance (ESG) issues have assumed greater importance than ever before. In Hong Kong, more stringent ESG disclosure requirements for listed companies have taken effect following revised reporting guidance by the Hong Kong Stock Exchange. With ESG investing clearly transforming from 'nice-to-have' to 'essential-to-consider', family offices (FOs) that understand ESG considerations are best positioned to do good as they do well.

## ESG on the rise

Asset managers all over the world are under mounting pressure to integrate ESG into their investment decisions and offer more sustainability-related products. A recent global survey found that the percentage of surveyed asset owners who put more than a quarter of their funds towards ESG surged from 48 percent in 2017 to 75 percent in 2019. The overall trend is unmistakable: ESG is pivotal to the investment process and fund management industry.



In fact, a spectrum of sustainable investing has emerged that goes well beyond traditional considerations solely focused on profit. It starts from exclusions, i.e. decisions about what not to invest in, and proceeds with increasing commitment towards ESG integration and then making a concrete impact with one's investments. Along this spectrum, venture philanthropy represents the highest form of sustainable investing.

Typically, FOs operate both investment and philanthropy arms run by different staff. Yet this separation can lead to problematic discrepancies if, for example, an investment has been made in tobacco while money is being given to a cancer fund. It is therefore advisable for FOs to conduct a thorough review of their investments.

## A plan of action



Ask fund managers for detailed breakdowns by sector to ensure that all investments align with the FO's values and priorities.



Consider whether a fund manager is integrating ESG into the investment process by posing questions to investors or private bankers.



Look at stocks' and funds' ESG scores to grasp how they are regarded across the market. Scores are given by companies like MSCI, Standard and Poor's, Sustainalytics, Morning Side and Mercer

Equipped with this knowledge, FOs are better able to make informed choices about their investments. Sustainable investing can reflect one's values along a spectrum of possibilities, ranging from no ESG considerations to ESG integration to thematic or impact investing.

## Why it matters



Capital markets offer significant opportunities to effect change. FOs all over the world are substantial asset owners.



The investment decisions FOs make can go a long way in shaping how the world is run.



ESG investing affects corporate behaviour, which has a knock-on effect on the environment and society as a whole.

ESG investing is a vehicle to express one's values as they relate to accountability. Public capital alone is inadequate to tackle all the world's problems. Companies and organisations wield enormous power and influence. Awareness of the ESG space is a healthy place to start engaging in discussions on the way forward. Professional advisors can help FOs review the state of their investments and share insights in terms of governance and reporting.

## How we can help

FOs can turn to KPMG for help in enhancing their sustainable finance decisions.



Understand current state in existing portfolios



Mapping out a responsible investing strategy



Develop ESG policies to guide responsible investing



Develop reporting mechanism and ongoing KPIs

## KPMG Private Enterprise

Drawing on our knowledge and experience in audit, tax and advisory, the KPMG Private Enterprise team helps FOs as they address sustainable corporate governance, risk management, asset protection, tax compliance and much more.

We hope you find this newsletter insightful, and we look forward to supporting your needs. Please reach out to us if you wish to discuss further.

If you have any questions about the matters discussed in this publication, please feel free to contact us.

## Contact us



**Karmen Yeung**

National Head of Private Enterprise  
KPMG China  
+852 2143 8818/+867 (755) 2547 1038  
[karmen.yeung@kpmg.com](mailto:karmen.yeung@kpmg.com)



**Vincent Pang**

Head of Private Enterprise, NCN  
KPMG China  
+86 (10) 8508 7516  
[vincent.pang@kpmg.com](mailto:vincent.pang@kpmg.com)



**Edward Yu**

Head of Private Enterprise, EWCN  
KPMG China  
+86 (21) 2212 2988  
[edward.yu@kpmg.com](mailto:edward.yu@kpmg.com)



**Koko Tang**

Head of Private Enterprise, SCN  
KPMG China  
+86 (755) 2547 4180  
[koko.tang@kpmg.com](mailto:koko.tang@kpmg.com)



**Sylvene Fong**

Head of Private Enterprise, HK  
KPMG China  
+852 2978 8227  
[sylvene.fong@kpmg.com](mailto:sylvene.fong@kpmg.com)



**Pat Woo**

Partner, Head of Sustainable Finance,  
Hong Kong  
KPMG China  
+852 3927 5674  
[pat.woo@kpmg.com](mailto:pat.woo@kpmg.com)



**Jackey Tse**

Director, Family Office Consulting  
Private Enterprise  
KPMG China  
+852 2140 2263  
[jackey.tse@kpmg.com](mailto:jackey.tse@kpmg.com)

[kpmg.com/cn](http://kpmg.com/cn)

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