



## "You reap what you sow": The new philanthropy – impact investing and the rise of Singapore Family Offices

It is evident that climate change has led to climate disasters becoming increasingly frequent and severe in recent years. Asia has been afflicted by extreme weather; when it rains, it literally pours. In this month alone, Northern China, West Bengal and Indonesia have been engulfed by floods from intense rainfall, displacing hundreds of thousands of people. When it is hot, it is scorching. From the wildfires in Australia to the deadly heatwaves in South Asian countries, including India, extreme temperatures have ravaged flora and fauna, devastating local communities and agricultural-dependent economies. Climate change is also linked to more intense and unpredictable typhoons. This is alarming for countries in Asia (including China, Philippines, Taiwan and Japan) which bears the brunt of most deadly typhoons.

Rising sea levels pose a major threat to island and low-lying Asian megacities and key commercial hubs such as Bangkok, Hong Kong, Jakarta, Mumbai, Shanghai, Singapore and Tokyo. Millions of people across the region live in areas at risk of flooding and rising sea levels can significantly amplify tsunami hazards, which place them in even greater danger.

These are signs forewarning us of our future if no drastic action is taken now. The need to accelerate the adoption of sustainable practices to reverse climate change has never been more pressing.

As we help our clients make responsible and sustainable succession plans for the future, we must work to ensure that there will be a future to plan for.

### Growth in family offices and UHNWI population

The Monetary Authority of Singapore (MAS) recorded a fivefold increase in the number of Family Offices established in Singapore between 2017 and 2019. Amidst the ongoing Covid-19 pandemic, this number has multiplied with Singapore becoming a favoured jurisdiction for UHNWIs. The latest development in

this phenomenon is the push by the MAS for impact investing by Family Offices.

Singapore is politically and economically stable. It has a robust legal system, sound educational institutions, a low-income tax rate, developed infrastructure in the financial services industry, tax exemption regimes for family offices and a Global Investor Program offering permanent residency to non-Singapore nationals.

Singapore prioritises sustainability in its ongoing efforts to address climate change, recognising that it is not insulated from the effects of climate change. Its public sector is leading sustainable development by setting ambitious sustainability targets for itself under the GreenGov.SG initiative as part of the Singapore Green Plan 2030.<sup>1</sup>

### A more sustainable future for Singapore

It is telling that Mr Ravi Menon, Managing Director of MAS opened his keynote speech at the Financial Times Investing for Good Asia Digital Conference on 8 September 2021, with "*the Earth has a deadline*."

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<sup>1</sup> [Green Government \(greenplan.gov.sg\)](https://www.greenplan.gov.sg)

*Let's make it a lifeline<sup>2</sup>.*" This demonstrates that the MAS is cognizant of the need to encourage and foster sustainable investing and environmental change to ensure its future as an economic powerhouse.

### How we help UHNWIs recognise their goals of impact investing

Our global private wealth team is adept at setting up family led vehicles including trusts, charitable foundations, companies and partnerships. We help families develop robust family constitutions detailing a family's hopes, dreams, vision and ethos for a more sustainable future.

### Impact investing as the "new" Philanthropy and means of operating family businesses

Traditionally, the Asian family office was an extension of the family business, focusing on maximising profit. However, as patriarchs and matriarchs age, their successors are placing greater value on sustainable and responsible investing. This is reflected in the increase in demand for charitable structures, sustainable and responsible investing options and a rhetoric enshrined in family constitutions focussed on legacy, personal values and longevity.

There is a realisation that investing can contribute to a family's financial objectives, while concurrently making the world a better place. Philanthropy is no longer a separate and distinct project marked by writing a cheque. It permeates the very core of a business by setting the tone for business practices (e.g., investors can exert influence to address forced labour, racism, and inequality in businesses).

This shift in outlook is immortalised in the rhetoric of private banks in Asia. At one time speaking only to financial gains, we are now greeted with proclamations of a "better world", where profit and planet go hand in hand. The trend to do good to be good, is also mirrored in the creation of charitable foundations in Asia by private banks HSBC and UBS.

### Tangible change in Singapore

In pursuit of its commitment to the UN's 2030 Sustainable Development Agenda and Paris Agreement, Singapore is encouraging and facilitating

impact investing by UHNWIs with the Singapore Government taking the lead.

Temasek Holdings Limited is the Singapore Government investment arm, which set up ABC World Asia, a private equity fund in 2019 dedicated to impact investing. Temasek has taken steps to grow the impact investment space by announcing a US\$500 million allocation to Leapfrog Investments, a private investment firm that invests in exceptional businesses in Asia and Africa. It has also established a partnership with BlackRock, Inc., known as "Decarbonization Partners". Together, they have committed a combined total of US\$600 million in initial capital to invest in investment funds. These funds will focus on advancing decarbonization solutions to accelerate global efforts to achieve a net zero economy by 2050.

Singapore also intends to introduce mandatory climate-related disclosures applicable to the Singapore Exchange (SGX) and financial institutions. In practical terms, listed companies and ESG funds sold in Singapore will be required to provide more detailed and transparent disclosure to enable informed investment decisions.

Singapore has recently concluded its consultation to introduce mandatory climate-related disclosures starting with sectors most exposed to climate-related risks. MAS intends to consult the industry later this year on mandatory climate-related disclosures by financial institutions, with a focus on how to transition expectations into mandatory requirements. MAS expects all banks, insurers and asset managers to make climate-related disclosures from 2022. The mandatory disclosure regime seeks self-directed companies and fund houses to shed their "green sheen" to safeguard the value of disclosures and investors' confidence.

Further, SGX has pledged an investment of S\$20 million to a multi-year plan to enhance its ESG capabilities and initiatives. Utilising this investment, SGX launched the world's first ESG-REIT derivatives earlier this year. The remaining investment will be channelled to strengthening SGX's internal capabilities and increasing its corporate social responsibility commitments<sup>3</sup>

<sup>2</sup> ["What We Need to Do to Make Green Finance Work" - Keynote Speech by Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, at Financial Times Investing for Good Asia Digital Conference on 8 September 2021 \(mas.gov.sg\)](#)

<sup>3</sup> [SGX strengthens commitment to sustainability with S\\$20 million plan - Singapore Exchange \(SGX\)](#)

In the 2021 Singapore Budget, it was announced that the Government intends to issue green bonds for S\$19 billion worth of infrastructure projects. The aim of the "green bonds" is to fund projects that have positive environmental benefits. Singapore's National Environment Agency (NEA) recently raised S\$1.65 billion worth of green bonds and the proceeds will be used to finance the country's first integrated facility to treat waste.

### Wealth management and investing for the future

Singapore positions itself as a hub for family offices. It recognises that the future caretakers of family wealth have different motivations to their predecessors. Investments are viewed through a wider lens valuing integrity, sustainability and best practice and, financial return. As a small country with limited natural resources, Singapore's economy growth is intimately connected with environmental sustainability. It is vital that Singapore pursues sustainable development, and it makes sense to combine this with reinforcing its position as a wealth management forerunner.

Singapore was ranked seventh in the World Giving Index (WGI), in 2018, which is astounding given it ranked only 114th in 2012. Singapore's rapid accession to the top of the WGI demonstrates that Singapore not only takes wealth creation and preservation seriously but is also committed to sharing its good fortune.

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