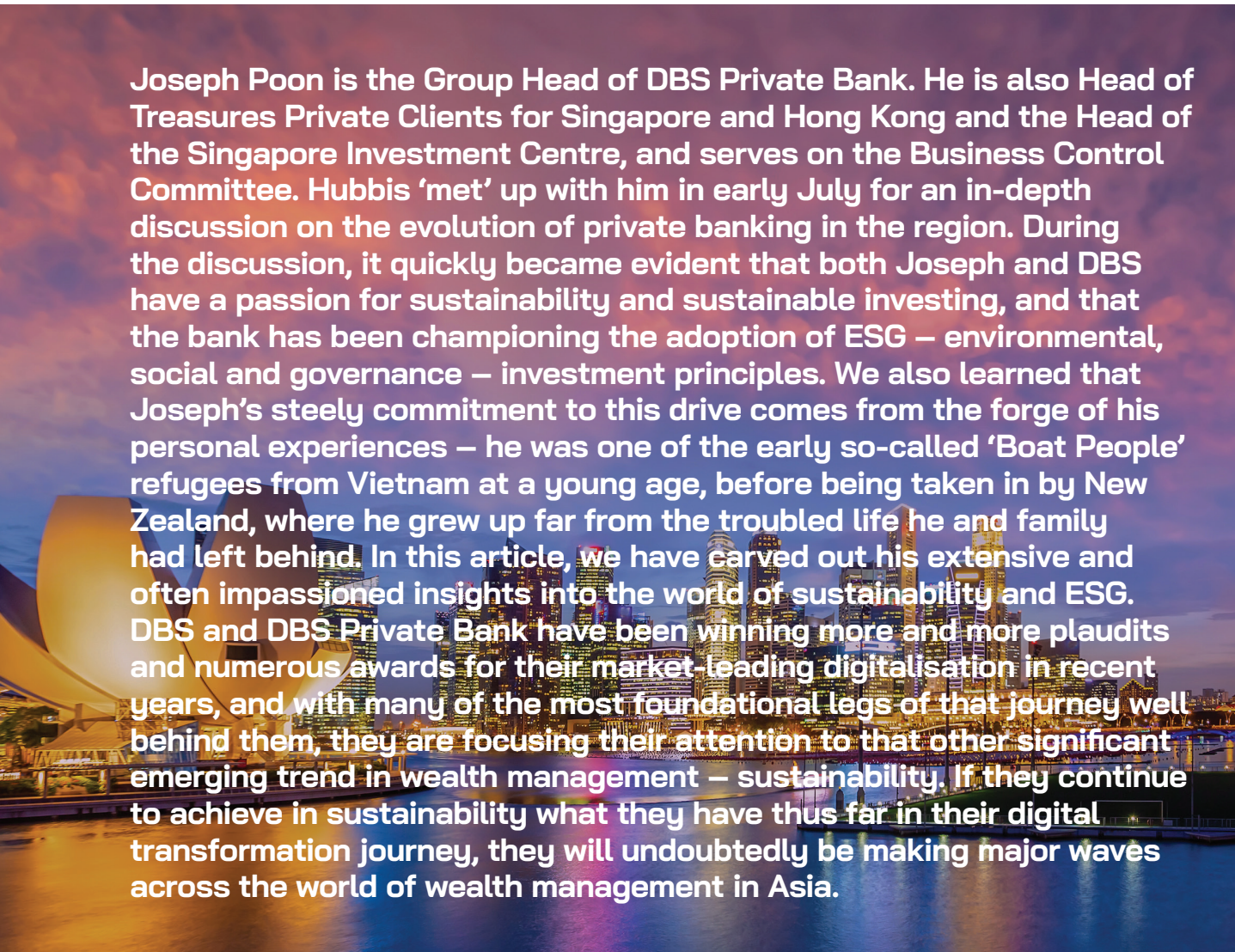


# DBS' Poon on Championing ESG and the Drive towards Digitalisation



Joseph Poon is the Group Head of DBS Private Bank. He is also Head of Treasures Private Clients for Singapore and Hong Kong and the Head of the Singapore Investment Centre, and serves on the Business Control Committee. Hubbis 'met' up with him in early July for an in-depth discussion on the evolution of private banking in the region. During the discussion, it quickly became evident that both Joseph and DBS have a passion for sustainability and sustainable investing, and that the bank has been championing the adoption of ESG – environmental, social and governance – investment principles. We also learned that Joseph's steely commitment to this drive comes from the forge of his personal experiences – he was one of the early so-called 'Boat People' refugees from Vietnam at a young age, before being taken in by New Zealand, where he grew up far from the troubled life he and family had left behind. In this article, we have carved out his extensive and often impassioned insights into the world of sustainability and ESG. DBS and DBS Private Bank have been winning more and more plaudits and numerous awards for their market-leading digitalisation in recent years, and with many of the most foundational legs of that journey well behind them, they are focusing their attention to that other significant emerging trend in wealth management – sustainability. If they continue to achieve in sustainability what they have thus far in their digital transformation journey, they will undoubtedly be making major waves across the world of wealth management in Asia.

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**Under the banner** of ‘doing well by doing good’, DBS Private Bank has a multi-pronged approach to sustainability, as Joseph so eloquently explains. He reports that in a public proclamation of ‘walking the sustainability talk’, the bank in March this year set a target of having more than 50% of private banking AUM in sustainable investments by 2023, up from what is an already an impressive 41% today.

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### **The DBS sustainability trident**

“We take a three-pronged approach,” Joseph explains. “We encourage ESG investing, we advocate responsible business practices, and we aim to create social impact. This is not a new journey for us, but it is one that has seen significantly increased emphasis internally, and with rising meaning and impetus amongst our clients. This is also very much aligned with DBS’ bank-wide ethos and commitment to being purpose-driven, a path which would also create value for the long-term in a balanced and responsible way.”

### **Walking the talk**

In fact, DBS Private Bank has for some years been rolling out various initiatives aimed at creating awareness and helping clients to understand ESG. In

2018, it launched the DBS MSCI ESG Outperformance Trade, the first of its kind in Asia.

“This was a very visible early example of us ‘walking the talk’ and seeking to demonstrate that ESG can bring investment outperformance, thereby debunking common misconceptions that ESG necessarily compromises financial returns,” Joseph explains. “To date, almost all clients have

exited that particular strategy with profit.”

In 2019, DBS Private Bank then took a further step to introduce and integrate MSCI ESG ratings into its wealth product suite to provide transparency over each investment’s ESG characteristics – thus enabling clients to consider ESG attributes, in addition to the essential financial metrics, and empowering them to make more holistic investment decisions. Joseph explains, “This is in addition to ongoing client-relationship manager conversations around ESG, as well as client education and engagement initiatives such as webinars and small-group roundtables connecting clients with social enterprises that we support. In essence, our objective is to engage as many clients as possible in the various prisms around the purposeful deployment of wealth.”

### **Ramping up the sustainability agenda**

These efforts must be driven from within, Joseph comments. He explains that to achieve the 50% plus goal, DBS Private Bank has committed to several initiatives, including expanding its suite of sustainable investment products, which are defined as BBB-rated and above. It intends to onboard over 10 new sustainable investment solutions this year, including the new Ninety-One GSF Global Environment Fund onboarded in April.

DBS Private Bank’s relationship managers are also mandated to proactively review and improve their clients’ portfolio ESG ratings through targeted advisory, by replacing low-rated assets with higher ESG-rated alternatives where suitable, or helping clients to deploy new funds into sustainable investments. “We strive to provide clients with accurately targeted advisory and recommendations, so clearly we need to build the expertise and the focus of our bankers, and that is exactly what we have been doing,” he reports.

“Our relationship managers are trained in these areas; they’re well-equipped to analyse their clients’ portfolios, and then proactively engage clients to explore ESG enhancements for those portfolios. Between March to June, our relationship managers have held around 4,000 client conversations on these topics.”

The bank also continues to focus strongly on education and engagement for its clients, for example, with the rollout of its ESG-focused webinar series.

### **Refining the proposition**

DBS Private Bank also seeks to formalise how ESG is assessed



**JOSEPH POON**  
DBS Private Bank

through the launch of a portfolio weighted ESG rating methodology. This is what Joseph calls an Asia-first initiative that moves beyond rating clients' individual holdings to rating their portfolios holistically. The premise is that selecting Asian assets solely based on current ESG ratings may not be representative of their long-term potential, since they need time to improve their ratings.

"By adopting this new methodology, our relationship managers and clients can factor in their long-term assessment of each constituent investment and manage the portfolio more dynamically," he reports. "For example, they will be able to more easily retain selective lower ESG-rated holdings that are slated for growth and improving ESG ratings over time, while still ensuring that the overall portfolio ESG rating is strong."

### **Elevating the ESG offering and credibility**

Sustainable investments have become increasingly important in adding value to investment portfolios in the long run, Joseph elucidated. However, he observes

that their pace of growth is being tempered as there is still no clear definition for sustainable investments today.

"There is as yet no single established industry benchmark to rate ESG," he reports, "but in realising this, we decided to take the lead in challenging this status quo, which is why we were among the first in Asia to integrate MSCI ESG ratings into our product suite. By taking this step, we are not only availing greater transparency of our offerings, but are also holding ourselves accountable to our pledge to boost our share of sustainable investments."

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He remarks that Asian assets tend to have lower ESG ratings than their developed markets counterparts – a reflection of the nature of the region, which is home to many developing nations that are still in early stages of economic development and living standards. According to MSCI, the proportion of ESG laggard companies (B & CCC rating) in Asia stands at 13.5%, as compared to only 5.5% in the developed markets.

"Asia has however started to catch up in recent years, amid rising consumer expectations and

various regional governments' calls for businesses to focus on sustainability issues," Joseph reports. "We believe DBS Private Bank, with our extensive holdings of Asian assets, deep understanding of the region's diverse heritage and a strong network of Asian clients, is well-positioned to play a leading role in ESG advocacy and to mobilise clients towards positive change."

### **Performance allied to sustainability**

He points to the outstanding performance of the DBS MSCI ESG Outperformance Trade when relaunched in 2020, which

attracted almost SGD700 million from clients in a short period – a seven-fold jump as compared to the amount raised when the product was first launched in 2018.

"We also saw a three-fold increase in the number of clients participating in the 2020 ESG Outperformance Trade compared to 2018's, and the average amount invested per client more than doubled," Joseph reports.

"While we did expect to see a jump in participation versus 2018's, the final level of interest was unprecedented and far



exceeded our expectations. It also shows that our ongoing efforts in engaging and empowering clients to invest with an ESG lens is gaining very good traction. It added further impetus to our drive to spearheading the growth of ESG in Asia,” Joseph comments.

And the results are indeed clearly showing through – the bank saw a strong surge in clients’ take-up of its ESG funds, with their ESG fund AUM suite rising 260% YTD as of the end of May, a remarkable achievement.

### **The expanding book of ESG revelations**

Joseph reports that the quality of engagement with clients on these issues has also noticeably improved. “Client conversations have moved from relatively broad brush ESG themes, to individual clients’ specific areas of value and passion,” he explains.

He explains further that ESG awareness and appreciation are still relatively nascent in this part of the world, so its virtues and advocacy require a phased and long-term approach. “The first pillar is to boost awareness and understanding of ESG issues and what ESG investing is. Secondly, our focus is to help clients appreciate that investing in good growth companies that also have high potential to improve their ESG practices and outcomes is one way of supporting positive change, while also improving investment returns.”

### **Connecting the dots beyond sustainable investments**

Together with the DBS Institutional Banking and DBS Foundation teams, DBS Private Bank is also helping clients to

understand how sustainable business practices can positively impact their own businesses and their stakeholders.

He sees business-owning private banking clients having immense leverage to create change, which goes beyond their personal investments. It is his hope that DBS Private Bank can help them to effect change as stewards of the corporate world in Asia. ESG is a key lever to anchor sustainable businesses that can become a force for good for its various stakeholders, including customers, staff, ecosystem partners and communities, which would ultimately benefit its shareholders. “We are really making a difference,” he enthuses, “and the momentum is gathering.”

For clients who have taken up sustainable investments, they see good performance of these investments as proof of their value-add, and have thus been more open to adopting ESG-enhancing practices in their own enterprises. Their positive experience in ESG investments reinforces the connection between multi-stakeholder-oriented companies’ higher valuation versus those that are only shareholder-oriented.

“ESG-positive agendas really can add shareholder value,” he reports. “These owners can now see the growing positive correlation between good ESG ratings and access to lower cost of capital. So this is the second pillar we’re building, to help shape our clients’ thinking around business as a force of good for the long-term. We’ve been having more conversations with our business-owning clients, along

with our Institutional Banking colleagues, on the adoption of good ESG business practices.”

### Linking to the Social Enterprises

The third and final pillar of DBS Private Bank’s purposeful organisation agenda is to connect and enhance engagement between private banking clients and social enterprises - companies with dual bottom-lines of profit and impact. “With their focus on solving social and environmental problems whilst also being a profiting business, we believe social enterprises represent how businesses of the future should look like. We are committed to helping to grow this ecosystem, and having more of our clients embark on this journey.”

As part of this effort, DBS is facilitating clients’ access to its own ecosystem of social enterprises in the region, so as to direct more funding to support and develop these enterprises, which are innovating solutions to positively impact communities.

“Social enterprises have been gaining attention over the years, and this accelerated after Covid-19 emerged as more social issues came into focus, and as people were forced to slow down and notice just how much worse off many segments of society were in the grip of the pandemic,” Joseph observes. “This triggered many conversations with clients about social issues and social enterprises last year.”

DBS Private Bank works hand in hand with DBS Foundation, which was established in 2014 to champion and support social entrepreneurship in the region, to connect clients with these social

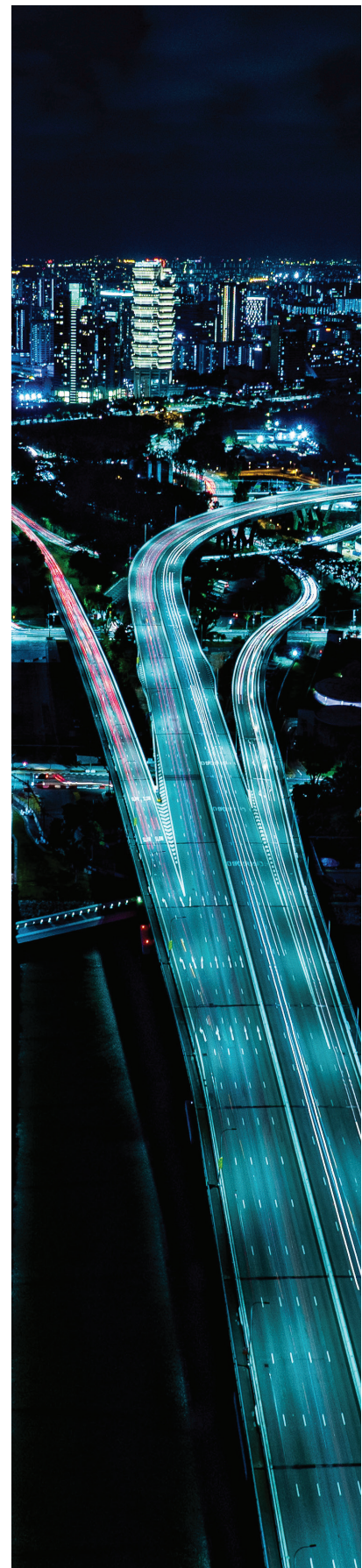
enterprises. “We are doubling down on bridging the two sides, and exploring opportunities for clients to scale up these social enterprises’ businesses and impact.”

Referencing a recent example, he shared how DBS Private Bank connected a client, who was personally passionate about food security and empowering vulnerable communities, to two relevant social enterprises: UglyFood, which aims to eliminate food waste by selling excess or ugly produce, and Agape, which provides inclusive training and employment to ex-offenders, persons with disabilities, and low-income women. These introductions led to collaborative efforts enabling the client to gift fresh fruits from UglyFood to single mums and widows under Agape’s care; the client also stepped in to provide training and employment opportunities for the marginalised groups supported by Agape.

### Coming of age

Joseph says there is a definite coming-of-age amongst clients around these issues. “In the next five years or so, I expect ESG will become so ubiquitous that it may not need to be separately addressed,” he comments. “For investments, ESG considerations will likely be fully embedded into the standard assessment process.

He also sees some of the traditional ways of expressing social commitment and philanthropy – such as writing cheques or building a local community school, hospital, etc. – likely evolving towards providing ongoing support. “This will go beyond funding to include the mentoring of social entrepreneurs by industry titans,



and giving social enterprises a broader platform to scale their business and amplify their social impact, among others. This way, the benefactors bring to the table not just their financial capital, but also their business acumen, connections and social clout, which will surely add substantial impetus to create the changes these social enterprises seek to bring about."

This is especially so with the rise of the next gens in Asia, with whom ESG issues resonate powerfully. He remarks on the vast inter-generational wealth transfer in Asia that is now well underway, and how that will further propel the pursuit of sustainability.

"We can expect a significant transfer of private wealth taking place over the next decade or two," he observes. "The younger generation are more purpose-driven and focused on leaving a mark in the universe, and on aligning their values with their investments, and we at DBS Private Bank are very much in tune with this."

### **A genuine personal and corporate commitment**

Joseph also explains that his personal story plays a part in fuelling his passion about driving change. "I was one of the original

boat people, a refugee from Vietnam, and was taken in by New Zealand," he reports. "So I understood from very early on, that what may mean very little to somebody can mean so much to someone else. This has given me a sense of responsibility for others and a firm belief that we can all make a difference in the greater scheme of things, no matter how small any single act may seem."

"Now that I'm in a position where I can genuinely drive change, and am working with clients who have both the means and intention to help the less fortunate, I definitely want to do what I can to make a difference."

### **Idealism and realism aligned**

His final comment centres on the acknowledgement that in a region where significant poverty still exists, many people are more worried about survival than the environment, and understandably so. "Asia is home to many developing nations, and all are at different stages of economic development. While it's easy to criticise the use of coal for cooking in many parts of Asia, for example, let's not forget that for communities where there are no other available or affordable alternatives, a trade-off between survival and environmental outcomes is a daily reality for many."

"There is no one-size-fits-all solution and in my view, ESG is more of a continuum than an absolute. It's far more critical to start moving in the direction that improves ESG outcomes, regardless where the starting position is. Once we adopt that mindset, the journey then becomes the destination, so to speak. This more pragmatic approach makes it easier to break the inertia of inaction, and allows everybody to immediately join in and become part of the solution. The result of collective participation would naturally create a far larger ESG-enhancing impact. At DBS Private Bank, we see our role as advocates for, and drivers of, this gradual transitioning journey, and in a way that works for Asia."

This is also where DBS Private Bank's differentiation lies. He cites the bank's unique positioning in Asia, given its strong Asian-centricity and in-depth understanding of the region. "We have a strong Asian heritage; we intimately understand, live and breathe in the region's rich complexities, dynamics, and nuances. We're on the ground in these markets and are connected to the communities, and as a purpose-driven bank, we want to be a force for good in our home region." ■

