

HKTA Webinar on Family Office in Hong Kong

Supporting organisation: Invest Hong Kong

16 August 2021

Mike Cheung
Executive Director, Head of Goldman Sachs Family Office Asia,
Wealth Advisory Services, Private Wealth Management

Family Governance

GS Family Office | May 2021

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

Table of Contents

I.	What is Family Governance?	2
II.	Challenges to Family Governance	3
III.	Family Governance Structure	4
IV.	Why Have A Family Meeting?	5
	Common Family Meeting Topics & Goals	6
	Planning a Family Meeting	7
	Establish Meeting Ground Rules	8
V.	Disclosures	19

What is Family Governance?

Family governance is a process or structure that enables family decision-making, open communication and implementation of policies concerning the management of family affairs in a manner that meets the mission and goals of the family. Over time, as the family grows and becomes more complex, there may be a tipping point where a more formalized structure is needed.

Natural Governance

Decisions are made organically as issues arise, and meetings can take place as easily around the dining room table as in a boardroom.

While this arrangement may work for smaller families, it may become less effective as the family grows and complexity increases.

Formalizing and implementing a written governance structure within your family may help keep peace among family members while protecting family assets for future generations.

Benefits of Formalized Structure

Enables a more coordinated decision-making process.

Allows for orderly succession in ownership, management and control.

May empower family harmony and happiness in future generations.

Ensures sustainability and prosperity of the family enterprise.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

Challenges to Family Governance

Every family is unique, and there is no one rule that governs all. It is important for families to understand the challenges of family governance, and how to overcome them proactively.

Considerations

Challenges

- Building a culture and structure of open family communication.
- Balancing the demands of family members and the needs of the business.
- The creation and ongoing maintenance of an effective governance plan.
- Developing an effective generational succession plan for continuity of the family.

What can Go Wrong

- Physical, emotional and financial problems among family members.
- Pressure to hire family members. This may become complicated if they lack knowledge and experience.
- Inefficient structure may equate to inefficient policies, and undefined values and goals.
- Lack of a succession plan, which can be a source of heated debate and family politics.

Best Practices

- Giving each family member a voice.
- Defining family values and purpose.
- Holding family meetings, creating rules, and establishing expectations.
- Reviewing family roles and responsibilities on an as-needed basis.
- Educating future generations.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

Family Governance Structure

No two family governance systems are alike. Each family develops and refines a system that works for them, and one which they can expand and change over time.

Family Governance can be organized into three pillars of success*:

ADOPT A FAMILY CONSTITUTION

Family members can document the family's core principles, purpose and vision through a family constitution.

Contains information about the family mission, code of conduct, values and mechanisms for conflict management.

Implements structures that guide family through future expected and unexpected events.

Addresses employment policy, including qualifications required for key positions.

Outlines ownership, buy-sell agreements, and family business interest.

Consider drafting a family mission statement to help the family articulate its purpose, shared goals and values

ESTABLISH A FAMILY COUNCIL

During early stages, the family council may be made up of all adult family members. As the family expands over time, the council may be comprised of representatives of each branch of the family or even elected members for larger multigenerational families.

Provides a platform to discuss family objectives, procedure, policies, and conflict resolution.

Coordinates decision making and manages family affairs.

Helps the family reach decisions and speak with one voice about its goals.

Plans family assembly meetings.

Consider adopting by-laws, to formalize and guide the council's role within the family.

CONDUCT A FAMILY ASSEMBLY

As the family grows over time, the family council may find it useful to hold annual meetings of all adult family members.

Provides the family with information about decisions and policies adopted by the family council.

Strengthens family communication and bonds.

Serves as a forum to teach and reinforce family values and culture.

Consider regulating appropriate family inclusion in meetings. Families need to decide at what age children should attend these meetings, and whether or not it is appropriate for spouses to be included.

*The pillars listed on this slide and elsewhere in this presentation are for educational and informational purposes only. They represent a general survey of family office services and may differ from services provided by the GS Family Office.

Why Have a Family Meeting?

For most wealthy families, successful stewardship of wealth across generations involves ongoing communication across generations.

Key Topics

- Information regarding the family's finances;
- Understanding the family's estate, tax, and philanthropic planning;
- Making collective family decisions;
- Identifying shared family values and goals.

Since these topics may necessitate a more focused setting than dinner table discussions, planning a formal family meeting may be appropriate. Regular family meetings can also provide a forum for ongoing governance of the family enterprise, and fostering continuity as a family evolves and grows.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

Common Family Meeting Topics and Goals

Education and Information Sharing

Foster financial literacy and responsible stewardship for younger generations.

Education regarding wealth management and family legal entities, including rights, roles and responsibilities of family members.

Review family financials, estate planning, and philanthropic structures and projections.

Review investments and current market and economic environment with financial advisors.

Develop leadership in next generations.

Family Governance and Decision Making

Identify common family values and goals which may serve as the basis for developing a family mission statement.

Develop processes and policies for decision-making and governance of family wealth and philanthropic enterprises.

Discuss and develop investment management, estate planning, and philanthropic strategies.

Resolve differences and manage potential conflicts.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

Planning a Family Meeting

Good preparation will help ensure a productive and effective meeting. Consider allowing sufficient time for proper preparation and planning prior to a scheduled meeting.

Identify Purpose and Goals for the Meeting

- What does the family wish to accomplish at the meeting? Educate next generation family members, share information, make collective family decisions?
- Are the desired outcomes reasonable for all attendees?

Prepare a Meeting Agenda

- A specific and clear agenda will help ensure an effective meeting.
- Developing an agenda will help determine the amount of time that should be set aside for the meeting.
- Consider circulating the proposed agenda prior to the meeting to communicate purpose and goals, solicit feedback, and allow attendees to properly prepare for the meeting

Determine Who Should Attend

- The meeting purpose and agenda will help determine appropriate attendees. For example, it may be appropriate to include younger family members for educational meetings, and outside advisors such as attorneys, CPAs, financial advisors may be included to address technical issues.
- A professional facilitator can help families who feel they need guidance regarding the meeting process, or managing complex family discussions or dynamics.

Location

- Consider a meeting location that is neutral, comfortable, and free of distractions. Hotels and resorts can accommodate meetings while providing an environment for families to enjoy leisure and recreation activities outside of the meeting.

A professional facilitator can help families prepare for a meeting including interviewing family members beforehand to surface issues and goals, identifying desired outcomes, and helping develop a meaningful agenda.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

Establish Meeting Ground Rules

Clear ground rules foster respectful and effective communication. Consider establishing a set of ground rules at the beginning of the meeting that all attendees agree to abide by.

Considerations

Be present and prompt

Working through a full agenda requires all attendees be on time and promptly return from breaks.
Attendees should also demonstrate respect by turning off cell phones and avoiding other distractions during the meeting.

Listen

Allow others to speak until finished without interruption.
Seek to understand speaker's message without mentally evaluating or judging. Demonstrate understanding of a speaker's message before responding.

Speak for Self

Use the word "I" rather than "we" or other words presuming to speak for others.
Do not speak for others.

Participation and Confidentiality

Ensure that all attendees are heard and able to contribute their views on issues.
Respect confidentiality.
Meeting communications should not be shared outside meeting without unanimous agreement otherwise.

Goldman Sachs does not provide legal, tax, or accounting advice to its clients and all investors are strongly urged to consult with their own advisors regarding any potential strategy or investment. Tax results may differ depending on a client's individual positions, elections or other circumstances. This material is intended for educational purposes only. While it is based on information believed to be reliable, no representation or warranty is given as to its accuracy or completeness and it should not be relied upon as such.

Disclosures (1 of 2)

Thank you for reviewing this presentation. Please review the important information below.

Scope of Relationship and Service Providers. Goldman Sachs (Asia) L.L.C. (CE number ACC536), Goldman Sachs (Singapore) Pte. (Company Number: 198602165W), and their present and future affiliates and their respective partners, officers, directors, employees, and agents (collectively “GS”), may offer and provide—or facilitate receipt of through third parties—a suite of personal family office services (“Family Office Services”) specifically designed for certain Private Wealth Management clients of GS. Each of Goldman Sachs (Asia) L.L.C. and Goldman Sachs (Singapore) Pte. is a subsidiary of The Goldman Sachs Group, Inc., and receives fees for certain of the Family Office Services. This material represents the views of the GS Family Office, and the views and opinions expressed herein may differ from the views and opinions expressed by other departments or divisions of Goldman Sachs.

GS does not provide legal, tax, or accounting advice to its clients, except in limited circumstances where certain Affiliates may provide tax advice if explicitly agreed between such Affiliate and the client in writing, and GS does not offer the sale of insurance products. As part of its GS Family Office Wealth Advisory Services, Goldman Sachs may, upon your request, discuss with you various aspects of financial planning. The scope of such planning services will vary among clients and may only include episodic and educational consultations that should not be viewed as tax advice. Financial planning does not address every aspect of a client’s financial life and the fact that a topic is not discussed with you does not indicate that the topic is not applicable to your financial situation. Goldman Sachs may review with you the general income tax consequences of your investments, estate planning, philanthropic endeavors, real estate holdings, and certain other activities that may affect your income tax.

Goldman Sachs assumes no duty to take action pursuant to any recommendations, advice, or financial planning strategies discussed with you as part of GS Family Office Wealth Advisory Services. It is your responsibility to determine if and how any such recommendations, advice, or financial planning strategies should be implemented or otherwise followed, and you are encouraged to consult with your own tax advisor and other professionals regarding your specific circumstances. Goldman Sachs is not liable for any services received from your independent advisors or the results of any incident arising from any such services or advice.

Certain of the Family Office Services may be provided by subcontractors, independent service providers, or other third parties (collectively, “Third Party Vendors”), who are not acting as financial or investment advisors, and who are not delivering investment or financial advice, with respect to the provision of Family Office Services. Services provided by Third Party Vendors are wholly independent of those provided by GS and additional terms of service may apply for clients entering into any separate agreements with Third Party Vendors in furtherance of Family Office Services. GS may refer clients to Third Party Vendors for services including, but not limited to, tax return preparation, household payment administration and bill payment, certain philanthropic advisory services, cyber security services, physical security services, and health advisory services. Services provided by Third Party Vendors may include additional terms of service should clients enter into any separate agreements with Third Party Vendors in furtherance of Family Office Services.

The scope, duration, deliverables, assigned personnel, referrals to Third Party Vendors, and delivery channels through which Family Office Services are provided will vary among clients, including the facts, requested services, circumstances, personal financial goals, net worth, complexity, and/or needs of each client. Services will be reviewed, advised upon, and/or performed, to the extent applicable to each client. Family Office Services will be provided based on individual client needs. Not all clients will receive all services. Certain activities may fall beyond the scope of the Family Office Services. In addition, the Family Office Services may not address every aspect of a client’s financial life.

Family Office Services do not include investment and brokerage services for clients’ GS accounts, which will continue to be provided by GS pursuant to the terms of the agreements between those clients and GS. Any asset management services provided are governed by a separate investment management agreement (as may be applicable). GS Personnel providing Family Office Services do not provide discretionary management over client investments.

Disclosures (2 of 2)

Responsibility to Clients. GS does not act in an investment advisory capacity and has no fiduciary duty when providing certain of the Family Office Services.

In providing Family Office Services, GS will rely on information provided by, or on behalf of, clients. GS will not be responsible for the accuracy, currency or completeness of any such information, nor for any consequences related to the use of any inaccurate, out-of-date or incomplete information.

Limitation of Liability for Certain Services. Where GS refers clients to Third Party Vendors for certain Family Office Services, GS is not liable for clients' ultimate selection and utilization of such Third Party Vendor, for any services rendered or guidance received, or the results of any incident arising from any such referral. GS is not responsible for the supervision, monitoring, management, or performance of such Third Party Vendors and is not liable for any failure of Third Party Vendors to render services or any losses incurred as a result of such services.

Cybersecurity consultations provided by GS are intended to provide a general overview of cyber and physical security threats, but are not comprehensive; GS is not liable for any incident following such consultations.

Conflicts. GS receives fees for certain of the Family Office Services. In the course of providing such services, GS or its subsidiaries or affiliates may offer additional services and/or products for which additional fees or commissions are charged. These offerings create a conflict of interest and clients may be asked to acknowledge their understanding of such conflict.

Assumptions. Where materials and/or analyses are provided to you, they are based on the assumptions stated therein. In the event any of the assumptions used do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only and no representation is being made that any client will or is likely to achieve the results shown. Assumed growth rates are subject to high levels of uncertainty and do not represent actual trading and, thus, may not reflect material economic and market factors that may have an impact on actual performance. Goldman Sachs has no obligation to provide updates to these rates.

Any provided financial planning services, including cash flow analyses based on the information you provide, are a hypothetical illustration of mathematical principles and are not a prediction or projection of performance of an investment or investment strategy.

No Distribution; No Offer or Solicitation. This material may not, without Goldman Sachs' prior written consent, be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorized agent of the recipient. This material is not an offer or solicitation with respect to the purchase or sale of any security in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation.

GS Family Office services offered through Goldman Sachs (Asia) L.L.C. or Goldman Sachs (Singapore) Pte.

Goldman Sachs (Asia) L.L.C. is incorporated in the State of Delaware, United States of America, as a Limited Liability Company.

© 2021 Goldman Sachs. All rights reserved.