

Good for business... ... business for good

Three steps to becoming an
impactful **family business**



Introduction



No more business as usual

Where does the world go from here? Our planet faces many challenges. By doing nothing, we'll never overcome issues like poverty, hunger, inequality, inadequate education and healthcare, and the threat of climate change. But by working together, we can shape a world where everyone has the opportunity to live peacefully and prosperously.

In 2015, the United Nations sent a rallying cry to the world, asking everyone to work towards 17 Sustainable Development Goals (also known as Global Goals).

The goals call on individuals, nations and organizations to help end the world's ills, including poverty, hunger, discrimination and environmental harm.

Businesses will play a huge role in these efforts. That's not just good for the world. It's good for business too. Because by operating sustainably, businesses can serve a growing and prosperous customer base that wants companies to do more for the world. And with governments toughening

up on environmental regulations, businesses will need to comply or risk paying a big price in high fines and damaged reputations.

The corporate world has come a long way in recent years. But the world's challenges have become more pressing. Take climate change, for example. Increasing evidence shows that human activity is driving catastrophic weather events like heatwaves, droughts and cyclones. Unless we act urgently, by 2100, the world will be warmer than at any time in human history.

More than ever, businesses need to become more sustainable – including UBS.

Our commitment to sustainability starts with our purpose. We know finance has a powerful influence on the world. That is why we partner with our clients to help them mobilize their capital toward a more sustainable world. It is why we have put sustainability at the heart of our own business, too. In 2020, we made sustainable investments the preferred solution for private clients investing globally. And, in 2021, we committed to achieving net-zero greenhouse gas emissions resulting from all aspects of our business by 2050.¹

Family businesses have a head-start in all this. We believe they can lead the way in protecting the world and its people – including their employees, customers, suppliers and partners. For example, family businesses usually truly care for their employees. They look beyond short-term successes and focus on creating a better future. And in a world with so many distractions, trends and influences, they stay true to the values that first made them successful. In short, we believe family businesses have the power to change the world for good.

But these efforts are about much more than creating a sustainability strategy. They're about understanding your family's purpose and weaving it into the fabric of your business.

So what is "purpose" for a family and its business? It's the spark of life-changing desire that first ignited your family's success. True, protecting the planet is a purpose for many families. But for others, it might be supporting the communities where they live and work. Or it could be striving to give everyone – regardless of their gender, age and background – the opportunity to engage in rewarding work. Even making sure a family's values pass intact to the next generation is a purpose worth pursuing.

Whatever your purpose, to maximize its impact, you'll need to embed it throughout your business strategy. Only then will your company be sustainable from a business perspective. The result? It will be perfectly positioned to thrive for the long term, in a world where customers and employees expect more from the organizations they engage with.

Sounds like a lot of work? It is. But it's rewarding too. And we're here to help you on your journey. In these pages, you'll see the steps involved in making your business a force for good. If you ever feel you need some guidance or another opinion on your plans, please feel free to get in touch.

**Because one thing is for sure.
There can be no more "business as usual."**

Surely that's a good thing.

1 UBS extends net zero greenhouse gas emissions pledge with climate roadmap, tougher financing standards and executive appointment, 22 April 2021, accessed 7 January 2022. <https://www.ubs.com/global/en/media/display-page-ndp/en-20210422-net-zero.html>
2 How business can act as a force for good, 19 January 2021, World Economic Forum. Accessed 7 January 2022. <https://www.weforum.org/agenda/2021/01/davos-agenda-how-business-can-act-as-a-force-for-good>

“Business can be a force for good, as long as its purpose is not merely to make money but to serve the community and societal needs sustainably.”

André Hoffmann

Vice Chairman, Roche,
Switzerland²



Three steps

to becoming a force for good



Every journey starts with a single step. Ours was to speak to fifteen family businesses that are on a journey to achieving impact. We wanted to know why they decided to embark on this journey, the challenges they faced and how they're progressing towards their goals.

We got many valuable insights. But we also saw that family businesses are perfectly placed to inspire larger companies worldwide to be a force for good. The information we gained helped us create three clear steps to becoming an impactful family business. This guide steers you clearly through each.



Comprehend

understanding the need to change



Commit

dedicating your business to doing good



Compel

reshaping your business for good

Maybe you're wondering how your business might achieve its purpose and maximize its impact. Perhaps you've started your journey but got diverted on the way. Or you might be wondering how you can ingrain positive impact in your business for years to come. Whatever your reasons for reading, you've come to the right place.

Ready? Let's get started.

Five tips for family businesses



Our interviews with family businesses highlighted five golden rules for becoming more impactful:

1. Care for your people

Your employees will be more willing to speak up for what's right when they know the company cares about them.

2. Culture is caught, not taught

Business leaders need to communicate their purpose and goals clearly, and back it all up with action. Words can rally people around a cause. But you need to practice what you preach.

3. Collaborate and build trust

Working closely with your stakeholders (for example, customers, employees, suppliers and government bodies) will reveal more opportunities to make an impact.

4. Commit to create values for generations in the long term

Family businesses should be part of the solution – and not the problem – for society

5. Change with conviction

The world's challenges cannot be addressed by investments and philanthropy alone. Your business might be your strongest tool for changing things. But in your business, you'll need to understand the challenges, implement the right solutions and adapt continuously to change.

“The world economy has reached the limits of sustainability. We have been using resources at an unsustainable pace. A company that’s not responsible is not likely to be profitable.”

Paul Donovan

Chief Economist,
UBS Global Wealth
Management

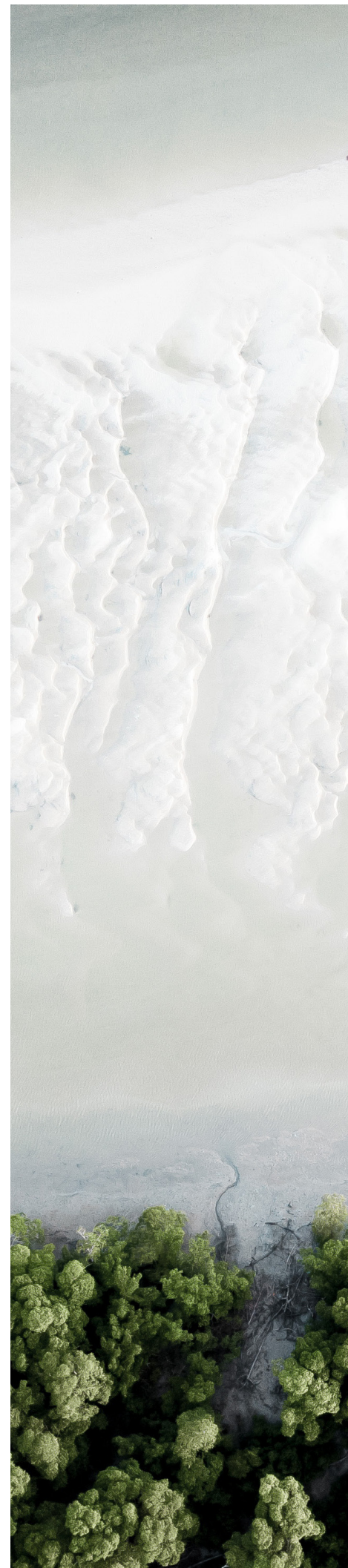
There are various ways profits urge companies to pursue their purpose and impact. For example, efficiency means doing more with less – and that efficiency applies to using environmental resources. But it also enhances profits. For example, a company that can be more energy efficient will also be more profitable.

A less direct impact is brand value. Strong business values matter to customers. Having a poor reputation in this area can reduce demand for a product. Staff also increasingly expect their employers to share their values. No one wants to be ashamed of the company they work for.

Policy also incentivizes making a positive impact. This isn’t just about regulation. For example, central banks are increasingly trying to influence the cost of capital to favour sustainable companies. Unsustainable growth is unstable growth, and central banks want to promote stability.

The culture of a company can also affect its profits and ability to make an impact. Diversity may become the most important criteria for corporate success. Businesses need the right people in the right job at the right time. Prejudice stops that happening, leading to companies irrationally rejecting suitable employees and demoralizing its current staff. The result is poor economic and environmental efficiency.

Avoiding prejudice and embracing diversity is vital in decision making. In times of economic upheaval, companies succeed when they approach opportunities or risks from multiple perspectives. A monoculture (a company of just one cultural type) is far more likely to miss aspects of the changes, such as opportunities, problems and risks.





| Step 1

Comprehend

Understanding the need to change



Before tackling an issue, you first need to understand it. That means recognizing the drivers demanding businesses to make a positive impact:

Compliance and regulation

Governments are increasingly passing stricter environmental regulations with tough fines. For example, in 2019, the US Environmental Protection Agency charged 137 defendants for environmental breaches, and collected 471.8 million US dollars in penalties and fines.³

Stakeholder demand

A survey of nearly 20,000 consumers in 28 countries found that almost 80% of people say sustainability is important to them, and 57% of shoppers would change their buying patterns to reduce their environmental impact.⁴ Businesses that fail to adapt can suffer. A 2019 survey of UK consumers discovered that 77% of them had switched, avoided or boycotted (or would consider doing so) a company's products based on its environmental or sustainability record.⁵ Additionally, a 2019 survey across 10 countries found that 61% of office workers think sustainability is a must-have strategy for a business, and 58% said it's critical for attracting future staff.⁶

Employee engagement

According to a 2021 report, 51% of employees are disengaged in the workplace, while 13% are actively disengaged (in the report, "actively disengaged" meant feeling miserable at work and spreading negativity to their colleagues).⁷ Another report found that companies with a highly engaged workforce are 21% more profitable – and 17% more productive than companies with a disengaged workforce.⁸ Defining a clear and compelling purpose for your company will ultimately drive engagement within your workforce.

3 US Environmental Protection Agency "EPA Announces 2019 Annual Environmental Enforcement Results," 13 February 2020, accessed 16 October 2020. <https://www.epa.gov/newsreleases/epa-announces-2019-annual-environmental-enforcement-results>.

4 IBM Institute for Business Value in association with National Retail Federation (2020) Meet the 2020 consumers driving change, accessed 16 October 2020. <https://www.ibm.com/downloads/cas/EXK4XKX8>.

5 Retail Times "Over 75% of UK grocery shoppers switch, avoid or boycott brands because of environmental policies, says Kantar," 5 December 2019, accessed 16 October 2020. <https://www.retailtimes.co.uk/over-75-of-uk-groceryshoppers-switch-avoid-or-boycott-brands-because-ofenvironmental-policies-says-kantar/>.

6 HP Workforce Sustainability Survey: Global Insights Report, April 2019, accessed 16 October 2020. <https://press.ext.hp.com/content/dam/hpi/press/presskits/2019/earth-day-2019/HP%20Workforce%20Sustainability%20Survey.pdf>.

7 Harter, B. J. (2020, October 16). U.S. Employee Engagement Reverts Back to Pre-COVID-19 Levels. Gallup.Com. <https://www.gallup.com/workplace/321965/employee-engagement-reverts-back-pre-covid-levels.aspx>

8 Harter, B. J. (2018, August 26). Employee Engagement on the Rise in the U.S. Gallup.Com. <https://news.gallup.com/poll/241649/employee-engagement-rise.aspx>



It's equally important to understand the opportunities that committing to – and communicating – your values and goals can bring to your family business:

Win over customers with new products and services

Sustainability can take your business into new markets with new products and services that match customers' values. A 2015 survey concluded that 66% of consumers (and 73% of millennials) would pay more for a sustainable product. Companies that demonstrated a commitment to sustainability grew sales four times faster than their non-sustainable peers.⁹

Manage costs over the long term

Investing in efficient solutions like renewable energy or waste treatment can be expensive. But there are opportunities to save over time, through lower operating costs and more reliable services. That's worth considering, especially with tougher regulations and public scrutiny likely to raise operating costs.

Attract and keep top talent

Committing to and demonstrating positive values are vital steps in recruiting and retaining skilled staff. In a survey, more than 70% of respondents said they were more likely to choose to work at a company with a strong environmental agenda. Another survey found that companies with wellbeing initiatives do a better job of attracting talent. In such businesses, 89% of workers said they would be more likely to recommend their company as a good place to work.¹⁰

⁹ The future of humans, UBS Chief Investment Office, GWM, September 2020

¹⁰ American Psychological Association, Center for organizational excellence, 2016 Work and Well-Being Survey, accessed 27 January 2022. http://www.apaexcellence.org/assets/general/2016-work-and-wellbeing-survey-results.pdf?_ga=2.258972362.1174245693.1642596642-1820358447.1642596642



“When collaborating with companies, we make our expectations very clear. We say we’ll work with them as they transition their business models, but if insufficient progress is made, then we’ll no longer continue investing. And we’re getting results. More and more companies are taking action, for example, setting ambitious net-zero targets and aligning executive pay to those targets. I see no reason why family businesses should not take a similar approach. I believe there’s a growing awareness among companies that if they want to attract capital, they need to engage transparently with investors, and act on their concerns.”

Michael Baldinger

UBS Chief Sustainability Officer

Questions to ask yourself

Why does our business need to make a positive impact?

Who does our business need to report to on its impact?

How should we communicate our purpose, values and goals to stakeholders inside and outside our company?

Do we need different communications for different groups, for example, an intranet for staff and a brochure for investors?

| Step 2

Commit

Dedicating your business to doing good



Once you've understood the reasons for and benefits of making a positive impact, it's time to commit to it. See your family's purpose, values and goals as a map guiding you to the areas where you can maximize your impact. From there, you'll need to embed everything into your company's daily operations and long-term strategy.

This involves two important steps:

1. Sharing values

Rally your employees around your values by clearly defining and communicating your family's business, purpose, vision and goals.

2. Inspiring everyone

Create a motivational culture that empowers your people and makes them responsible for "doing well while doing good." Your culture of positive impact should also address, engage and inspire all stakeholders across your business.



You'll also need to look at the challenges that matter most to your business and its ongoing success:

Consider your company's current problems, successes and investments from an impact perspective

For example, does your business face challenges that you might resolve by focusing on sustainability? Manufacturing costs might be high because a business is relying too heavily on a scarce natural resource. Are your company's investments in areas like building renovation, insulation and lighting delivering sustainable outcomes and reducing costs? Do you need to introduce a program that ensures everyone in your business has equal opportunities to progress? Knowing which areas of your business will benefit most from new approaches will make it easier to shape and strengthen your impact strategy.

Supplement stakeholders' views with information from networks, peers and portfolios

Consider the views of a wide range of stakeholders (such as customers, employees, suppliers, investors and regulators) when deciding on where your business might do better. You can also ask the opinions of other businesses, entrepreneurs and networks. Additionally, check your company's investments against its goals. Your business may be tackling an issue through its investments – but not its operations, where it might achieve more¹¹.

Ensure managers focus on the most important areas

These can help you identify impact topics that might help drive your company's success. For example, the Sustainability Accounting Standards Board (SASB) has developed industry-specific standards that can help you decide where to focus your efforts.

¹¹ For example, UBS Chief Investment Office GWM has identified a number of longer-term investments (LTIs) driven by secular themes such as aging, increased urbanization, population growth and the rise of sustainability.



“Among the world’s wealthy, entrepreneurs are the most likely to use their money to make the world a better place. Once they attain wealth, entrepreneurs give it away more quickly than others. Why? Because they spot trends quickly, make decisions and take risks. This aligns perfectly with the purpose of philanthropic capital – a willingness to take risks on how funds are used.”

Phyllis Costanza

UBS Head of Social Impact

Consider wider industry standards

Committing to and demonstrating positive values are vital steps in recruiting and retaining skilled staff. In a survey, more than 70% of respondents said they were more likely to choose to work at a company with a strong environmental agenda. Another survey found that companies with wellbeing initiatives do a better job of attracting talent. In such businesses, 89% of workers said they would be more likely to recommend their company as a good place to work.

Questions to ask yourself

Which factors should we focus on to have the biggest impact on our business?

Which of those factors should we focus on first?

How easy will it be to change our operations to fix these factors? What do we need to do?

If our “materiality analysis” reveals conflicting results, how will we decide where to focus our efforts?

How and where should we invest to get the best financial and non-financial returns?

| Step 3

Compel

Reshaping your business for good



Congratulations for getting this far. Now it's time to bring all your values and plans together, and start reshaping your family business into a force for good. This involves the following three steps:

Engaging key stakeholders

Everyone to lead the company in line with its purpose and goals, and do good at every level of the business.

Building an inclusive strategy and using metrics

Rooted in your family business' core values and focused on doing good, to help you drive and monitor positive outcomes.

Embedding your strategy

Ensure your new impact strategy embraces every area of your business. And provide the necessary resources to transform and become a force for good.



To stay on track for achieving your goals, it's important to measure the effectiveness of your new strategy. But measuring can be complex and costly. We suggest two possible solutions:

Keep things simple

Ask your customers, employees and investors which impact topics matter to them and require most attention. And consider asking your stakeholders for regular feedback on your plans and progress. If possible, put a price on every element of your impact – and measure non-financial data as diligently as you would financial data.

Connect with your peers

Get in touch with networks, businesses and entrepreneurs for ideas and support on measuring impact data. For example, social entrepreneurs are often more advanced in measuring impact, and will be happy to help you find the right direction.



Questions to ask yourself

Which impact topics “must” we tackle – and which do we “want” to tackle? (Specifically for sustainability, bear in mind that increased regulations will probably mean your business needs to report more sustainability-related data.)

How much information should we disclose and report relating to matters important to our business?

Could we provide our company’s impact data to stakeholders and investors? (You might be able to deliver non-financial data more easily than financial data, which often needs to be reported quarterly.)

Sounds good?

Let's work together



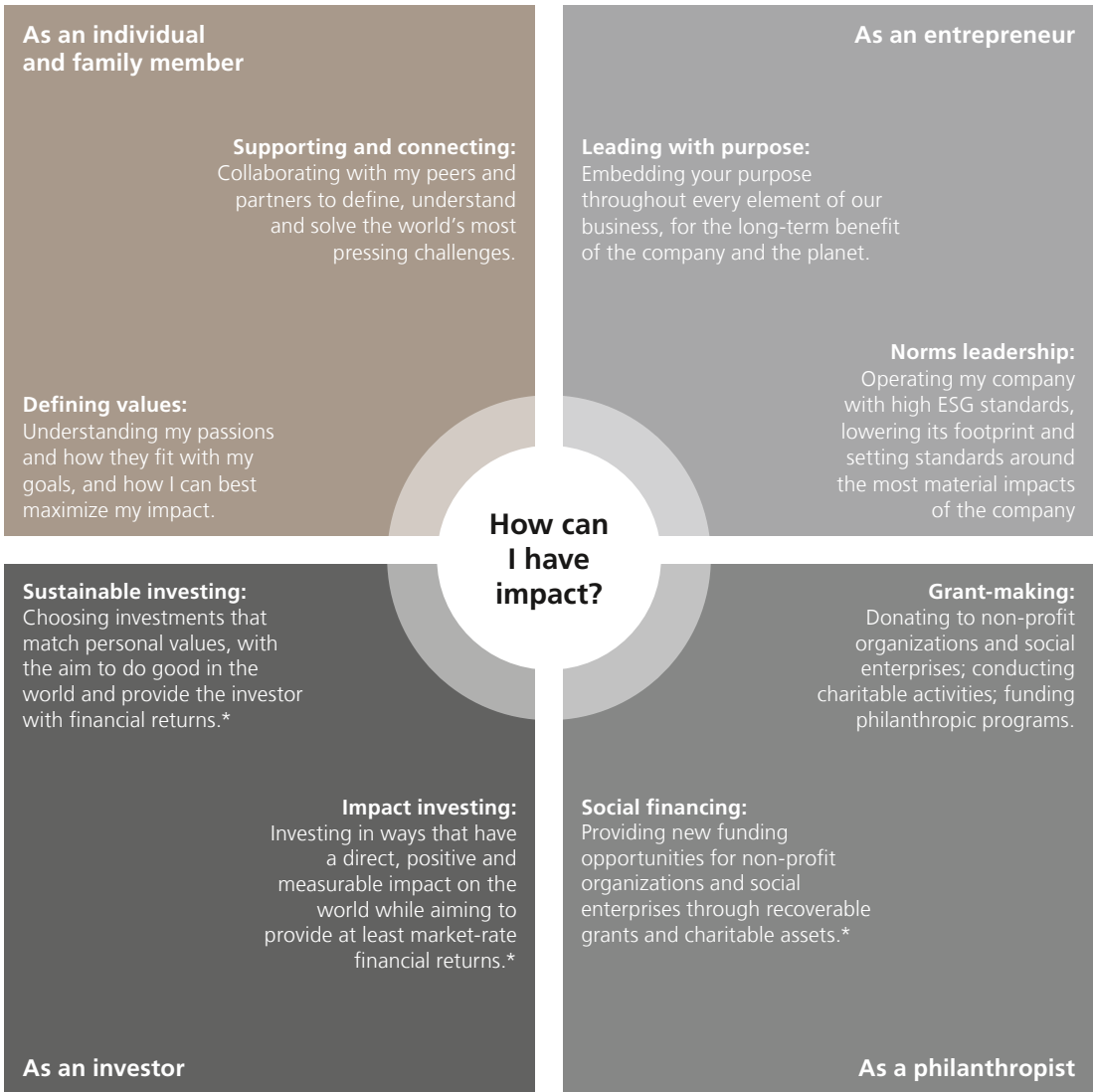
Reimagining the power of investing. Connecting people for a better world. That's our purpose. And it guides everything we do – including making sustainable investments our preferred solution from 2020 onwards, and pledging to achieve net-zero greenhouse gas emissions by 2050.

We're in the privileged position of being able to make a huge difference.

As a global bank, together with you, we can mobilize billions towards businesses and projects focused on solving the world's biggest social, economic and environmental challenges. And as the world's leading wealth and sustainable investment manager, we're committed to helping family businesses, entrepreneurs, philanthropists and investors fulfil their purpose and maximize their impact.

Maximizing your impact

So how can your family and business maximize its impact? There are many paths to success. And we can join you on your journey, from helping you define your purpose and values, to creating a legacy that last for generations. We'll help ensure that everything you do in your various roles – as an individual, family member, entrepreneur, investor and philanthropist – focuses on achieving your purpose and making a positive impact. With every activity aligned towards the same goal, you might achieve more than you ever thought possible.



*As with any investment, your capital is at risk, and the value of your investments and income derived from it could go down as well as up.

1. Comprehend – understanding the need to change

We can provide expert knowledge and insights into the trends, risks and opportunities relating to your business. We'll shed light on reasons to change – and the best ways to do just that.

We also connect people with likeminded entrepreneurs, businesses and experts through exclusive UBS networks, including:

Industry Leader Network

An elite group of global business owners. The network delivers interactive events on relevant business topics, and valuable economic and industry insights not found in any newspaper.

Growth Entrepreneur Network

This group of exceptional growth entrepreneurs is dedicated to accelerating business growth. The network provides members with access to new contacts, mentors, insights and funding opportunities.

UBS Global Visionaries

This network comprises outstanding entrepreneurs working towards one or more of the 17 UN Sustainable Development Goals (SDGs) to "... end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity."¹²

2. Commit – dedicating your business to doing good

Your family's values will be the fuel that reshapes your business as a force for good. But families and their companies are often large and complex. And no two families are the same, so there's no one-size-fits-all solution.

You'll need to consider different perspectives and expectations, both from inside and outside your family. How will you define your values and goals, communicate them across your family, and seek everyone's agreement? We can guide you, your family and your business through the steps required to commit to change.

¹² Sustainable Development Goals – United Nations Development Programme. (2022). UNDP. <https://www.undp.org/sustainable-development-goals>



3. **Compel** – reshaping your business for good

Once you've understood the need to change – and your business is committed to changing – it's time to make it happen.

For example, sustainable investments are our core recommendation for clients. And we're pioneers in "social finance" – investments that combine corporate and charitable funds to make a massive impact on global challenges. We're also leaders in "collective philanthropy", pooling the resources of businesses and philanthropists to make the biggest-possible difference in the world.

All this is available to you through our philanthropy services and UBS Optimus Foundation: the world's only independent philanthropy organization backed by a truly global wealth manager. The Foundation:

funds philanthropy programs at changing lives for the better, especially in education, health, the environment and child protection

provides philanthropy programs with innovative tools and expertise to succeed and grow

combines donations and investments to create the financial muscle needed to change the world



The world's challenges are too complex to tackle alone. Only by working together can we hope to solve them for good.

Like you, we want to lead by example. We've started our journey to making a positive impact, and we'd love you to join us. So what do you say?

That sounds like a good move to us. To find out more about how UBS can help make your family business as impactful as possible, please contact your UBS client advisor.

"Words alone are not enough. We have to back up those words with tangible action and results."

Josef Stadler
Executive Vice Chairman,
Global Wealth
Management

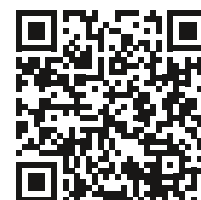
Discover more...



Define. Align. Refine.
A whitepaper to mobilize impact investing and strategic philanthropy for a better world



UBS CIO
Three ways to becoming more sustainable...and profitable.



UBS Global Sustainability and Impact

Special thanks to all the entrepreneurs and business leaders for taking the time to share their passion and insights with us;

| | |
|--------------------|---|
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