

# Good for business, Business for good

A compass to becoming a more  
impactful **family business**



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Appreciating the need to change  
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# How to use this compass

The world stands at a crossroads. Uncertainty is high regarding the economic, geopolitical and commercial outlook, prompting questions about whether national security and trends like nearshoring will undermine global collaboration. And over the longer term, there are growing tensions between how we use scarce resources in an increasingly interconnected world. The world's largest challenges will likely best be solved through international standards – but travelling that road won't be easy.

At UBS we believe that the firms that can successfully navigate their way through the near-term challenges, while maintaining a focus on capturing opportunities and embedding environmental, social and governance (ESG) action into operations, will be the winners on the other side of this cycle.

Family businesses are key pillars in the worldwide economy and have a huge part to play in this journey. We believe they can lead the way and inspire others. That's because, by their very nature, they have an eye toward the long-term prosperity of the business, the family and very often the communities they serve.

What's clear is that sustainability matters to more and more business leaders. Regulatory pressures are rising and enforcement becoming more costly – the U.S. Environmental Protection Agency collected nearly USD 500m in fines in 2019. Customers increasingly pick businesses based on sustainability criteria: a survey of nearly 20,000 consumers across 28 countries found that close to 8 out of 10 people say sustainability is important to them and the majority would change their buying patterns to reduce their environmental impact.<sup>1</sup>

Sustainability efforts can increasingly be tied more explicitly and measurably to better commercial outcomes. Take the case for diversity of the workforce, arguably of higher importance in today's extremely tight jobs market. One study found diversity can boost innovation by 20 percent (with potential for unlocking new lines of revenue or enhancing profit margins of existing offerings), while potentially reducing risks (which may be overlooked in "groupthink" or monocultures) and their corresponding costs of operating activities by 30 percent.<sup>2</sup>

So, how can you improve the impact you are having and positively impact your bottom line, too? You'll find inspiration and answers in this compass. It begins with explaining why taking a sustainable approach is actually good for business and what "doing good" actually means. You'll discover how to define your "purpose" – the passion that drives you to make a difference. And you'll learn how to embed positive practices throughout your business, positioning your company with a better chance of long-term success in the current environment where customers and employees – more than ever – want to buy from and work for organizations that are making a positive impact on society and the environment.

With family business owners in mind, this compass can also inspire business leaders to drive change for good in a sustainable way – socially, environmentally and commercially. While the compass guides you logically through each step, we know every business is at a different stage on the road to becoming a force for good. So, feel free to read the compass from start to finish, or to peruse the chapters of greatest interest. There's no wrong way to go. And remember, if you feel you need some one-to-one support, UBS is here to help. Just get in touch and we'll accompany you on your journey.

Ready? Let's go...

<sup>1</sup> Meet the 2020 consumers driving change (2020) IBM Institute for Business Value in association with National Retail Federation, <https://www.ibm.com/thought-leadership/institute-business-value/report/consumer-2020#>

<sup>2</sup> Bourke, J. (2016) Which Two Heads Are Better Than One? How Diverse Teams Create Breakthrough Ideas and Make Smarter Decisions. Australian Institute of Company Directors

# Talking transformation



“The time is now for business leaders like me to speak up, lead and scale our values.”

Julie Smolyansky – President and CEO, **Lifeway Foods**, United States

“Family businesses have been trying to go way beyond normal businesses for quite a while. The journey has different paths, from embracing corporate responsibility, to taking sustainability, environmental, social and governance steps, and focusing on the United Nations Sustainable Development Goals. We should talk about what businesses can do besides thriving as a business. There’s a formal agenda for doing good. And it’s something we all must do.”

Marcelo Behar – Vice President Sustainability & Group Affairs, **Natura &Co**, Brazil



“If we accept that mankind will ultimately understand that we need to change, then we’ll see industries emerging to help us solve our social and environmental problems. These will be the fastest-growing industries since industrialization.”

Florian Funck – Chief Financial Officer, **Franz Haniel & Cie**, Germany



“It is up to every business to save the earth, not just a few companies. We need collective engagement, where everyone and every business needs to do something – if not everything – to save the world.”

Yancey Hai – Chairman, **Delta Electronics**, Taiwan



“I think about the changing and evolving role of capitalism and enterprise in society. I believe that enterprises – whether family businesses or otherwise – need to rethink the roles they play in society.”

Michael McCain – President and CEO, **Maple Leaf Foods**, Canada

“The meaning of business goes beyond financial concerns. Business should also benefit people and society – and make long-term sustainable contributions.”

André Hoffmann – Vice Chairman, **Roche**, Switzerland



# Directing your impact

Over the past few years, a buzzword has taken the world by storm. That word is impact. And it's everywhere. What does it mean? A strong effect or influence, by definition. For a business, impact refers to the effect your company has on people, society, the environment and life on earth. Your impact can be short-term, long-lasting, good and bad. This impact not only affects these external stakeholders. It can also have an effect on how well your business performs.

- 08** Why is making a positive impact good for business?
- 12** What makes family businesses poised for good?
- 14** How can you make your family businesses more sustainable?



“We believe the enterprise is there to serve the needs of all stakeholders, not just shareholders.”

Michael McCain – President and CEO, **Maple Leaf Foods**, Canada



# Why is making a positive impact good for business?

Why should a business become more sustainable? Doing good by adopting a more sustainable business model that positively impacts all stakeholders – not only shareholders – is good for business. It can help mitigate some risks but also embrace some opportunities.

Some see sustainability as a way to manage risks, as governments are passing stricter regulations to mitigate the adverse consequences on the environment and society.

But companies also increasingly have to manage scarce natural resources and more diverse workforces. And in a world of instant connectivity, a firm's positive or negative contributions to environmental and social welfare can quickly impact demand and profitability. Building a more structured sustainable business plan in a profit-oriented way can generate higher returns. It can also help to unlock new opportunities and prepare businesses to meet shifting patterns of demand.



Learn more

See our CIO's take: [Three steps to becoming more sustainable...and profitable.](#)



“When you talk about the environment and green energy, some think you’re just a “tree hugger.” A lot of people think sustainability is a waste of money. We needed to prove that saving money means making money. Efficiency is good for consumers because it saves them money. And it’s good for the environment because it means using less energy.”

Yancey Hai – Chairman, **Delta Electronics**, Taiwan



### Dive deeper...

Is this concern about sustainability and environmental, social, and governance just a passing fad? Think again. There’s acceleration of the trend toward greener, more socially responsible and better governed small and medium-sized enterprises.

#### **Environmental pledges may begin hitting the bottom line**

Increased regulation and the ongoing build-out of carbon markets will require business owners to familiarize themselves with the costs of carbon and the most financially and environmentally impactful ways to reduce their footprint.

#### **Company social policies – especially on diversity, equity, and inclusion (DE&I) – could become a bigger differentiator**

The pandemic potentially accelerated an understanding that DE&I not only depends on legal mechanisms and a founder’s personal beliefs, but also is increasingly a voluntary decision to become more accepting of the differences to maximize commercial opportunities across the entire firm.

#### **Governance will remain the bedrock of sustainability and its scope could expand**

Corporate policies, practices and behaviors will continue to underpin stakeholders’ perception of sustainability. Clearly consistent sustainability measures, cross-border clarity on reporting regulations, and a deeper understanding of stakeholders’ information requirements will all be pivotal to success. But forward-thinking business owners can retain and advance their competitive edge by working on adopting common standards now.

Sustainability is not a new concept for businesses – especially family businesses. Indeed, established firms have survived and thrived across generations by following sustainable economic business practices. And these have always included protecting the reputation of the business, creating solid community relationships and being a good steward of resources. Today's scrutiny of businesses' ESG programs – and the attendant demand for more transparency around those efforts – is only intensifying the need to take a robust view of impact and sustainability.

Purposefully directing your business impact in line with your values is at the core of doing good. It's about striving to create a better future for all your stakeholders – your customers, employees, family members, shareholders, suppliers, partners, and the communities in which you work – so that your business can be in it for the long game.

“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 GWM**



**Top tip**

Remember that having impact as a business entrepreneur is only one part of your impact strategy. It's part of a bigger picture. Understand the problem you want to address and decide on the most effective way to drive impact.

How can I have impact?

As an individual and family member

**Supporting and connecting:**

Collaborating with my peers and partners to define, understand and solve the world's most pressing challenges.

**Defining values:**

Understanding my passions and how they fit with my goals, and how I can best maximize my impact.

As an entrepreneur

**Leading with purpose:**

Embedding my purpose throughout every element of our business, for the long-term benefit of the company and the planet.

**Norms leadership:**

Operating my company with high ESG standards, lowering its footprint and setting standards around the most material impacts of the company.

As an investor

**Sustainable investing:**

Where sustainability objectives represent a core element of investment strategy, in addition to market-rate financial returns.<sup>3</sup>

**Impact investing:**

Where investments have an explicit intention to generate measurable, verifiable, positive sustainability outcomes, in addition to market-rate financial returns.<sup>3</sup>

As a philanthropist

**Grant-making:**

Donating to non-profit organizations and social enterprises; conducting charitable activities; funding philanthropic programs.

**Social financing:**

Providing new funding opportunities for non-profit organizations and social enterprises through recoverable grants, and social investments of charitable assets.<sup>3</sup>

<sup>3</sup> As with any investment, your capital is at risk and the value of your investments and the income derived from it could go down as well as up.



# What makes family businesses poised for good?

## Longevity

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Family businesses work and plan for the long term. Founders want to create value that lasts for generations. This long-term perspective includes consideration of future generations, which can lead to more responsible business practices. By supporting local communities, for example, they can increase the talent pool for their business and develop a positive reputation that supports business goals.

## Loyalty

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Family businesses typically feel responsible for the welfare of their employees, their families and the local community. These businesses often remain in the location where they first launched, staying close to the traditions and values that shaped them. As a business grows, this loyalty can extend to their region or country.

## Values

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Family business leaders often have strong personal and family values that become part of the company's DNA. Generally speaking, the more involved families are with their businesses, the more those businesses support and promote family values. These values can result in businesses rallying behind a clear purpose, gaining the respect and support of stakeholders, and, ultimately, becoming more profitable.<sup>4</sup>

## Involvement

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Family businesses often reach a stage where they want to give back. They often do this in the communities and countries where they do business by giving philanthropically, sponsoring students with scholarships, and improving working conditions in their communities.

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<sup>4</sup> Morten Bennesen (expected 2022) The Essence of the Family Governance



### How they did it...

#### Advancing the field

No business can – or should – aim to solve every problem. It’s business, after all, not philanthropy. But family businesses can leave a lasting impact by taking a leadership position in areas that are aligned with business goals.

John Cadbury (1801-1889), founder of the legendary chocolate company Cadbury, was driven by a purpose. His was one of the first family businesses established in Great Britain to work on creating better social and health conditions for customers and their families.

The second-generation business owners, George Cadbury (1839-1922) and Richard Cadbury (1835-1899), took the mission a step further, providing breakfast to thousands of factory workers and helping employees’ families with their education. They also increased wages significantly and introduced the first ever “sick club”, which paid for any employee who fell ill at a time when there was no social protection against illness.

The Cadbury family played a big role campaigning against slavery in the 19th century. The family joined the British Anti-Slavery Society and worked with Black farmers in emerging economies to improve cocoa bean cultivation and harvesting techniques. Production soared, paving the way for the modern cocoa industry.

When Adrian Cadbury retired as chairman of his 150-year-old namesake chocolate business in 1989, the UK government invited him to take on the complex mandate of reforming an obsolete corporate governance system. Under his leadership, a landmark set of best practices, called the Cadbury Code, was adopted by corporations in 1992. His work inspired a host of other business reforms, including implementation in 1994 of the triple-bottom-line (social, environmental and financial) accounting framework.

The company has undergone many changes with the Schweppes merger in 1969 and the takeover by Kraft (now Mondelez) in 2010 – and it hasn’t avoided controversy in more recent decades. But their early days as a family business and legacy of the Cadbury Code shows the impact that family businesses can have when they leverage their business for impact.

# How can you make your family businesses more sustainable?

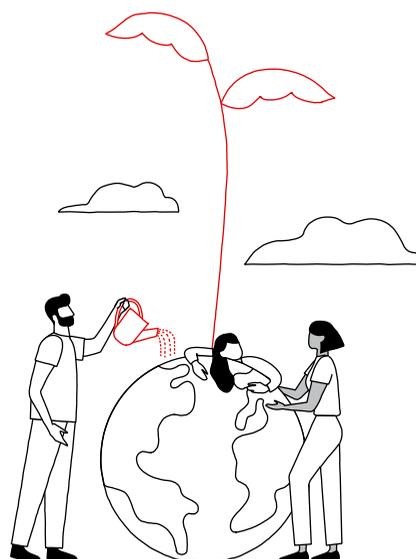
So, you want your family business to be a force for good, but you're not sure where to start. It might not make sense to focus on the sustainability issues closest to your heart if those aren't topical for your business's profits and purpose. Remember the four areas of impact: you can also have a positive impact through your individual, philanthropic or investment activities.

Where to start? Think about what's relevant and important – that is to say, what's material to your business.

"Materiality" describes company data or facts that regulators believe the average prudent investor would reasonably want to know before buying a publicly traded stock. The concept is not new but its application to thinking about sustainability is growing as private companies' sustainability data is increasingly becoming material to a business's supply chain, funders and end customers. That's why you might want to start by focusing on this "sustainability materiality" first.

"How we specifically understand and define sustainability has changed significantly in the past five years."

Andreas Jacobs – former Chairman, **Barry Callebaut**, Switzerland



## Did you know?

The term "material" first appeared in the US Securities Act of 1933. Its scope was tested in a 1976 case, when US Supreme Court Justice Marshall clarified that an item is material if there were "a substantial likelihood that a reasonable investor would consider the information important in deciding how to vote or make an investment decision."



## Learn more

See our CIO's three-part series on materiality, [\*\*Business owners and materiality\*\*](#). Ask your UBS advisor.





### Dive deeper...

The difference between corporate social responsibility, ESG, and business sustainability

#### ▷ Corporate social responsibility...

historically sought to **improve** the social and environmental impact of a company while not necessarily directly impacting the company's core business or its financial performance. It often followed as a consequence of doing business rather than a conscious and coincident activity of doing business.

#### ▷ ESG...

is a concept used by investors, giving them a **framework to assess a company's performance and risk**. As an investment framework, standards have been set by lawmakers, investors, and ESG reporting organizations.

#### ▷ Business sustainability...

sees a company putting social and environmental considerations at the **heart of its strategy and operations from the very beginning**. It aims to understand the social and environmental impacts of a business's core operations and the explicit link between financial performance and the societal consequences of doing business. In some but not all instances, impact becomes a major part of a company's products and services rather than a cost center.

"ESG looks at how the world impacts a company or investment, whereas sustainability focuses on how a company (or investment) impacts the world."

#### **Brightest, Defining ESG vs. Sustainability – What's the Difference?** <sup>5</sup>



"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

# What are the options?

Hint: You don't have to be a social enterprise.

## The Impact Spectrum<sup>6</sup>

	Sustainable Investing			Philanthropy		
<b>Description</b>	<b>Exclusion &amp; ESG integration</b> Excluding companies or industries from portfolios where they are not aligned with an investor's values and/or Integrating ESG information into fundamental investment analysis	<b>Sustainability focus</b> Including ESG factors into traditional investment processes to improve portfolio risk and return and address sustainability objectives	<b>Impact Investing</b> Intent to generate measurable and verifiable positive environmental and social impact alongside competitive financial returns	<b>Social finance</b> Financing projects with the explicit intention to generate measurable environmental and social impact, alongside a typically below market financial return	<b>Strategic Philanthropy</b> Strategic donations into a variety of evidence-based solutions to help achieve a set of measurable outcomes	<b>Charitable giving</b> Making donations to nonprofits to enable them to achieve their vision.
<b>Desired primary outcome</b>	Market-rate returns and values alignment	Market-rate returns and signaling strong preference for sustainability	Market-rate returns and measurable environmental and social impact	Some (below market-rate) returns and measurable environmental and social impact	Demonstrable positive environmental and social impact	Perceived positive environmental and social impact
<b>Financial return</b>						
<b>Environmental and social outcomes</b>						
	E = Environmental    S = Social    G = Governance					

Traditional for-profit businesses take a variety of approaches toward consideration of non-economic impact. At the extreme end, a business is only concerned with shareholder and monetary profit. In today's world, however, such a stance is becoming extremely uncommon as businesses recognize that economic sustainability demands consideration of environmental, social and governance (ESG) factors and associated risks.

As such, incorporating standards on ESG factors into a firm's core activities is occurring at companies across the board. Why is this? In short: more regulations on these issues and stakeholder demand.



### Did you know?

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.<sup>7</sup>

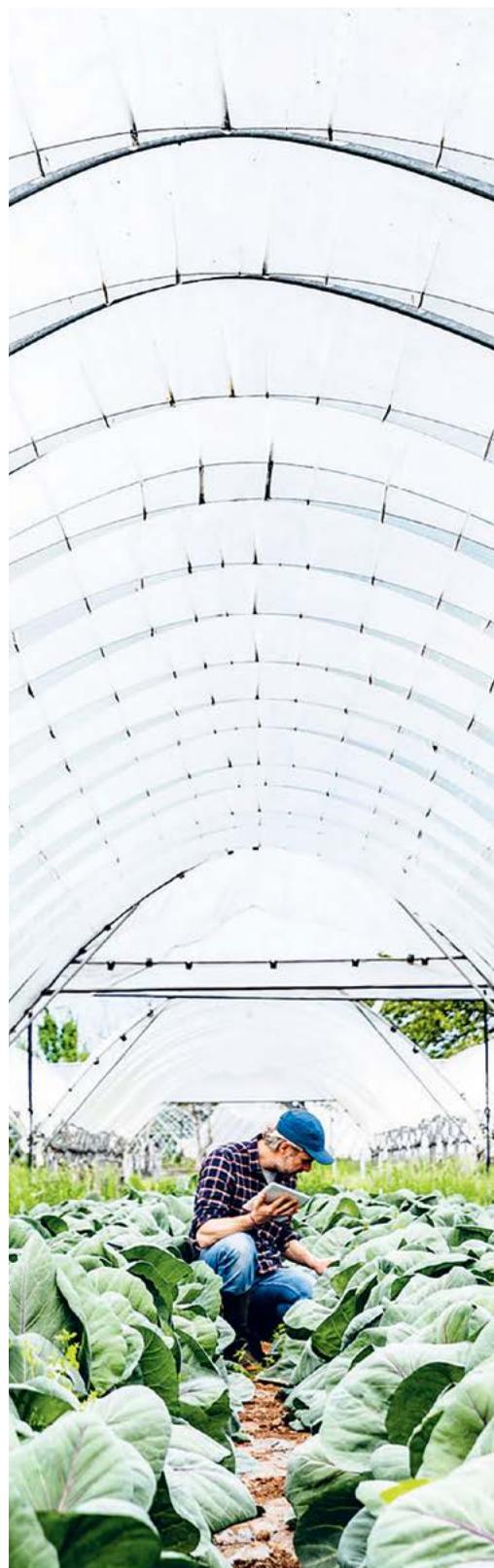
<sup>6</sup> UBS Chief Investment Office and UBS Optimus Foundation, adapted from Bridges Spectrum of Capital and EVPA Spectrum of Impact Strategies (2018, 2021).

“Learning about environmental, social and governance factors gives business leaders an informational edge in a fiercely competitive world. Entrepreneurs lose out if they only pursue sustainability when they have to. First movers can gain values-driven customers from laggards that just adhere to the ‘floor’ of legal sustainability standards.”

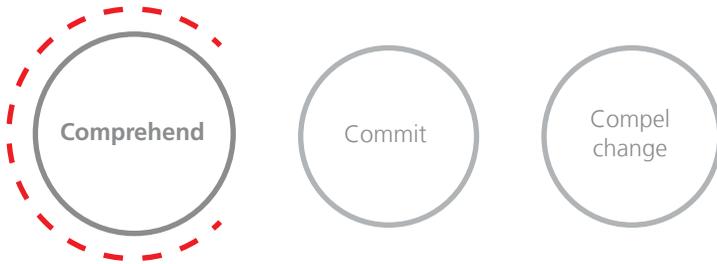
Nicole Rycroft – UBS Global Visionary, Founder and Executive Director, **Canopy**, United States

In the exercises within the rest of this guide, you can determine what approach is best for your business. Is your main interest to incorporate climate impact into your business model to avoid economic penalties and reputation risk? Or perhaps you’re interested in seeing how your business can more proactively solve some climate issues? You get to decide how to focus your impact and how intentional you want to be with it.

What’s clear is that all businesses have an impact. Governments, customers, employees and larger society are increasing their expectations that businesses start taking this into account within their business practices. Are you ready?



7 Meet the 2020 consumers driving change, 2020, IBM Institute for Business Value in association with National Retail Federation, <https://www.ibm.com/thought-leadership/institute-business-value/report/consumer-2020#>



## Step 1

# Comprehend

Understanding the need to change

Before aiming for positive social or environmental impact, you first need to understand the forces that are driving businesses to get involved. Businesses that fail to adapt to these external forces are positioning themselves to fail. But the upside is that there are many opportunities you can bring to your family business by responding to these forces.

- 20** Identify the external forces driving change
- 26** Understand the internal forces driving change





# Identify the external forces driving change

In many cases, external forces compel businesses to transform. Such forces create uncertainty and risk, prompting companies to reinvent their business models and adapt.

External forces include:

- ▶ regulation changes
- ▶ impact of climate change and biodiversity loss, such as food
- ▶ insecurity and water shortages
- ▶ volatility and uncertainty from recessions, wars, pandemics, and other geopolitical events
- ▶ new demands from stakeholders – customers, suppliers and activists – pushing you to stay relevant in a changing world

Private companies' sustainability data is increasingly becoming material to a business's supply chain, funders, and end customers. Making a positive impact requires not only understanding what external factors are impacting your business, but also understanding where you are having (or could have) the most impact on stakeholders.



## Learn more

How do external sustainability factors like climate change or water shortage impact the company's operations, and what can be done to protect the business / reduce risks? "Outside-in" sustainability materiality describes how companies assess the sustainability factors outside their control that have the biggest effect on financial performance. This approach is analogous to investors that integrate ESG factors into their investment process. See our CIO's three-part series, [Business owners and materiality](#). Ask your UBS advisor.





### How they did it...

## Adapting to external forces

### Geopolitical crisis – Vebege

Ton Goedmakers started a cleaning company during World War II to avoid working for the “Arbeitseinsatz”: a Nazi program that recruited people to work in factories and build bombs. He hired some of his friends as employees to help them escape forced labor. When the war ended, the values and spirit that first inspired Vebege’s launch remained and continued for generations.

### Declining industries – Ferd

Investment company Ferd had a core business that operated in the tobacco industry, where 90 percent of its sales was produced on license. When the license provider threatened to withdraw rights, Ferd sold the business and focused on sustainable companies.

“Sometimes it’s necessary to sell the core business if it holds you back. Some core businesses can be turned around and changed, but in some cases, this is impossible.”

Johan H. Andresen – Chairman,  
**Ferd**, Norway

### Energy concerns – ERG

To protect the company following the oil crisis, ERG transformed into a renewable energy business. Diversifying its activities and investing in renewable energy enabled ERG to thrive in the long run.

### Stakeholder influence – Maple Leaf Foods

President and CEO, Michael McCain, experienced an epiphany when he met food and animal activists at the World Economic Forum in Davos. He realized that, rather than being part of the problem, his business could contribute to the solution. He introduced values of environmental care and animal welfare into the company’s operations and established a vision to make the business “the most sustainable protein company on earth.” As part of this journey, Maple Leaf Food formulated an animal care commitment and became the world’s first major carbon-neutral food company in 2019.



## Work it out

Identifying the external forces that may affect your business directly or indirectly:

### Regulatory risks

What industry regulation has a major influence on your business?

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Do you foresee any changes in regulation that might harm your business?

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What would be the cost of doing nothing?

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What would be the benefits of anticipating or mitigating those risks?

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## Geopolitical risks

Are there any geopolitical risks facing your business?  
What are they?

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What would be the cost of doing nothing?

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What would be the benefits of anticipating or mitigating those risks?

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## Impact of climate change and biodiversity loss

How is climate change and biodiversity loss influencing your supply chain?

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How do you expect it to evolve in the coming years and impact you?

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What would be the cost of doing nothing?

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What would be the benefits of anticipating or mitigating those risks?

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## Stakeholder influence

Who are your main stakeholders?

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What's important to them?

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What do they expect from you?

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What would be the cost of doing nothing?

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What would be the benefits of managing and meeting their expectations?

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## Other external forces

Are there any other external forces that might affect your business?	..... ..... .....
How could you address them?	..... ..... .....
What would be the cost of doing nothing?	..... ..... .....
What would be the benefits of addressing those forces?	..... ..... .....

The main external forces that may affect my business are:	The main costs of doing nothing are:	The main benefits of anticipating and mitigating them are:
1 .....	1 .....	1 .....
2 .....	2 .....	2 .....
3 .....	3 .....	3 .....



**Top tip**

It's a good idea to ask your stakeholders what they expect from your business

# Understand the internal forces driving change

Internal forces include the attitudes, values and opinions of people working in and for your company (including you!). You'll need to work out what motivates these forces and how you might embrace them as part of your impact strategy.

The first step to creating lasting positive impact is to understand why you do the things you do. This will help you define your purpose. By being intentional about the impact you seek, you can direct this impact in line with both your financial and non-financial goals. Getting clear about your family's principles and values can be a good place to start.

"A job is a lot more than a paycheck. It's a reason to get up in the morning. It's about who you are and what you are."

Jim McCann – Founder and Chairman,  
**1-800-FLOWERS.COM**, United States



## Did you know?

61% of office workers think sustainability is a must-have strategy for a business, and 58% said it's critical for attracting future staff. <sup>8</sup>





### How they did it...

#### How emotions can trigger change

Chocolate and cocoa product manufacturer, Barry Callebaut, puts Africa at the center of its sustainable vision. Why? Because the continent is close to the heart of the company's former chairman of the board, Andreas Jacobs. *"I went to Africa a lot, I cared about what was going on there," he said. "That was the first trigger – my own emotions."*



### Top tip

Implementing more sustainable practices don't need to require hefty expenses because you can match aligned employees who wish to take on a stretch. This can also be an effective tool to create a sense of belonging and purpose across your teams. You may start by asking them what matters to them, rather than assuming. This can take the form of a survey or interviews with a diverse group of people.



## Work it out

### 1 Think about your principles:

What principles guide my behaviors and actions?

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What kind of impact do we want our business to have?

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What do I want to achieve with my family business?

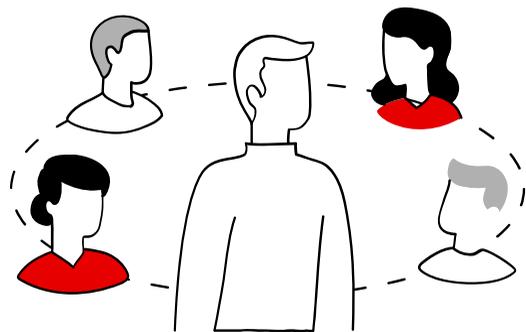
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Which values run through generations of my family?

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What's important to me?

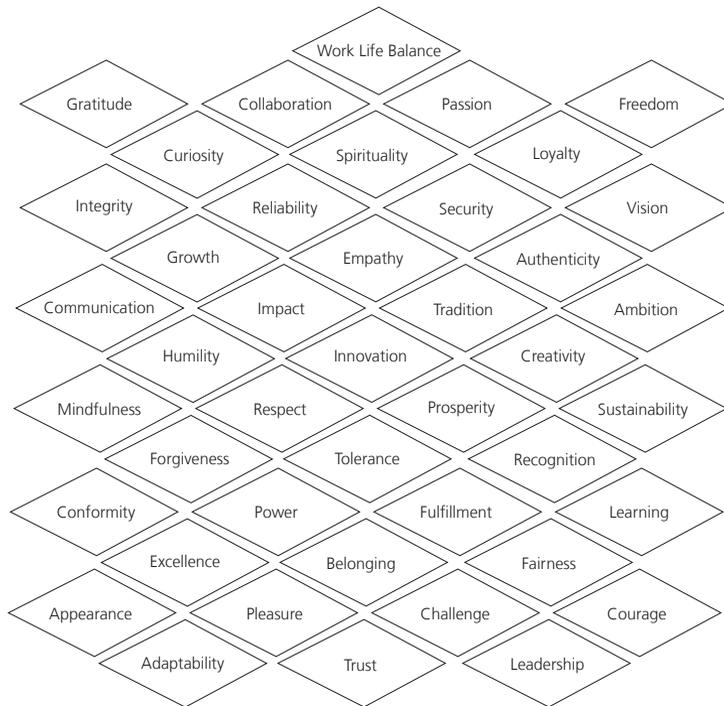
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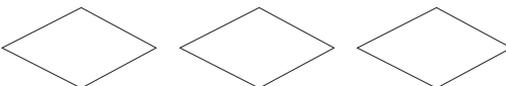


I do what I do because:

.....  
.....  
.....

2 Identify three values that are most important to you and ask yourself why. Identify three that don't resonate with you and why.



Other values not listed above 

The three values that are most important to me are:

- 1 ..... because .....
- 2 ..... because .....
- 3 ..... because .....

 **Top tip**

You can expand the exercise with your family and define your family's shared values. You should also include them in your family constitution (a written document that defines your family's governance and strategy).

 **Learn more**

To find out more about defining your family's strategy, ask your client advisor for a copy of "Charting the way forward" – our family strategy compass and toolkit.



## Work it out

Your employees' attitudes, values and opinions drive your company. Are they aligned with your family's values?  
What values do they have that you might need to consider in developing your plan for impact?

What three values does your business currently embody?  
What do they mean?

Value 1

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Value 2

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Value 3

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What three values do you think are most important to your employees and why?

Value 1

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Value 2

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Value 3

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How do your personal or family values align with the current values of your business and your employees?

*These values are aligned:*

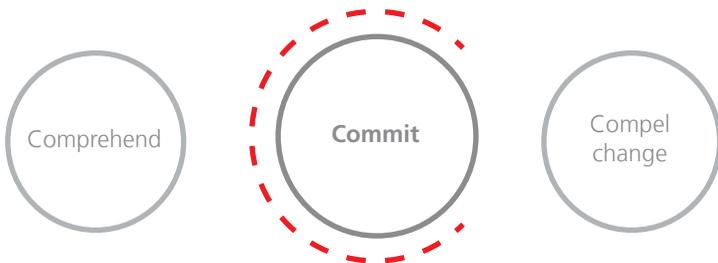
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*These values are not aligned:*

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## How do you comprehend the need to change? A recap:

- Be aware that external forces like climate change and war create uncertainty and risk, prompting companies to reinvent their business models and adapt.
- Assess the forces that are material to your business.
- Keep in mind demands from external stakeholders like customers, suppliers and activists.
- Understand your principles and your family's values to help determine where alignment might be in order.
- Evaluate what values your business currently embodies and what values are important to your employees.



## Step 2

# Commit

## Enabling positive business impact

Once you've understood the reasons for making a positive impact, it's time to commit to and plan for change. This involves four important steps:

1. Share the company's values by clearly defining and communicating your purpose, vision and mission.
2. Create a culture that empowers your people to do well while doing good.
3. Engage your external stakeholders to secure their input and support.
4. Develop a governance system that supports your purpose, vision, and mission

- 34** Codify and share your values
- 40** Empower a value-driven culture
- 44** Engage your external stakeholders
- 52** Translate your purpose into governance



“We decided very early on to introduce the family’s next generation to the company’s values and purpose. There were times when the company wasn’t doing too well. But that’s part of the normal business cycle. Throughout, we’ve never questioned our sustainability strategy. Never. When you have your name on the door, you want to be proud of your company.”

Patrick Firmenich – Chairman of the Board, **Firmenich**, Switzerland <sup>9</sup>



<sup>9</sup> At the time of interview, Firmenich were still a family business.

# Codify and share your values



**Dive deeper...**

Purpose. Vision. Mission. What's the difference?

Purpose statement: **WHY** you exist.

Vision statement: **WHAT** you hope to achieve – your ultimate goal.

Mission statement: **HOW** you're going to get to your vision.

## Purpose is at the heart of your business

Your “purpose” is the North Star that first drove your family to set up its business. It's why you do what you do. Without that purpose, the business wouldn't exist.

## Your vision gives you the right focus

Family businesses that make a lasting positive impact have one thing in common: they embed their vision into every element of their business. Dedicating your business to your vision will help it stay on course to achieving your goals.

## The business mission keeps you grounded

To achieve your vision, you've got to get down to brass tacks in your mission statement. It will serve as the basis for your strategy which will then explain what steps to take to get there.

“If your purpose is aligned with your company, you're in the right place. If it's not aligned, you have to think about going to a company that has the same purpose as you.”

Pedro Carvajal – President,  
**Carvajal Group**, Colombia

## Finding your “sweet spot”

It is important to connect your purpose and values with the business purpose, vision and mission statements. By finding your “sweet spot”, you can see where your company goals and strengths overlap with issues you want to address. That’s where it’s wise to focus your impact efforts.

To find your sweet spot, work out where these factors intersect:

1. Company goals – its purpose, vision and mission
2. Business strengths – focus on where your business operates and where it can make the biggest commercial and societal impact
3. Sustainability issues that the company is trying to address and solve, which ideally match the company's commercial priorities

The issues that you personally care about may not be the ones that most directly impact a company’s financial performance. That’s why it’s important to consider the environmental, social, or governance (ESG) issues that are pertinent to your particular business. This way, you’ll be able to achieve the most potential good for people and planet – while delivering the most commercial benefit in terms of costs, revenues and profits.

Looking at the “inside-out” perspective will enable you to understand how your business practices themselves have material impact. This impact extends first and foremost to your employees and customers but goes far beyond that to your suppliers, your partners, the communities where you conduct business and the environment at large. This impact can be short or long term – positive or negative.



### Dive deeper...

Let's imagine you are the owner of a food processing company and that you care about hunger in the world. You might think about directing your sustainability efforts toward providing free food to underserved local communities. By doing so, you can deliver positive social impact (and potential marketing or brand value). But what about reducing overall food waste by improving your supply chain, production processes, or sales channel? This way, not only would you be able to have a positive environmental impact but will also save cost savings which could be split to improving your profit margins and why not also pay for free food for the hungry.

## Steps to writing your purpose, vision, and mission statements

- Identify stakeholders early on who will help, making it more likely that they will embrace your plans. Before you start, ask your people what the company's purpose, vision and mission mean to them.
- Give yourself enough time to research and reflect on your company's values and history.
- Look at other companies' purpose, vision and mission statements for inspiration.
- Play with the words – jot down words that resonate with you and that will engage your stakeholders.
- Make sure your statements are clear, engaging, inspiring and memorable.
- Spend time reflecting on what the words really mean because you'll spend a lot of time using them.
- Test your statements with different stakeholders and gather their feedback. Use that feedback to create new and improved statements. And then test them until you have widespread agreement.





### Top tip

It can be good idea to use these statements when discussing governance and strategy with your family. You should also include them in your family constitution (a written document that defines your family's governance and strategy).

- Keep it concise. No one will remember statements that go on for pages and pages.
- Focus on the future and look long term. Avoid changing your statements too often.
- Aim to inspire. Use motivating language.
- Talk to others. If you're struggling to write your statements, talk to other companies that went through this exercise. You might also consider hiring business consultants and agencies for help.

"We're a family business that believes deeply in treating people decently and respectfully. Only by engaging with everyone constructively and openly did we gain everyone's agreement to transform our business."

Alessandro Garrone – Executive Deputy  
Chairman, **ERG**, Italy



### How they did it...

#### Putting people at the center of the business

Employees at Banyan Tree Group (an independent hospitality group) are personally committed to the company's sustainable goals and mission. This has created a sense of belonging and forged strong emotional bonds between the employees and the business.

"We take care of everyone connected to our business," explained Ho Ren Yung, Senior Vice President of Banyan Tree Group's Brand HQ. "We don't necessarily see it as doing good. We see it is as taking responsibility. It's also a sound business decision. Our people are part of our resources. Without them, we can't continue taking care of our customers."



## Work it out

### Your purpose, vision and mission statements

To ensure your business is on board with your impact plans, you'll need to create purpose, vision and mission statements. They will help you define your goals, create the right change strategy, stay on course, and measure your impact.

#### Purpose

Think about what you stand for. For example, "We exist to...". Your statement should be aspirational.

Why do we do what we do?

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**My purpose statement:**

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#### Vision

Think about your big dream for your business – considering that there are no barriers to success, and that everything is possible. For example, "I dream that..."

What's the big dream for our business?

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What would success look like?

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**My vision statement:**

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## Mission

Think about what you will do. For example, “To achieve my dream, I will...”

What could my business do to drive positive change?

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What do I expect the business owners to do to achieve the vision?

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What will I contribute to achieving the vision?

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What strengths can I use to achieve the vision?

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What do I expect employees and managers to do to achieve the vision?

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**My mission statement:**

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# Empower a value-driven culture

Committing to doing good starts at the top. But for those plans to succeed, everyone in the company will need to embrace them. You're likely to encounter roadblocks and resistance on the way – especially if your business is big and complex. So, try to get as much buy-in as possible by engaging and collaborating with your stakeholders from the start.

## Engage and empower your board and management

It's essential you engage and empower the top leaders in your business. You'll need to help them recognize and address uncomfortable truths and encourage them to lead the business by example. These are some approaches for getting your leaders on board:

**Speak up** about your vision for positive impact as a firm success metric and communicate your goals widely.

**Show positive impact in action** – for example, by going on site and presenting the benefits of sustainable working practices.

**Reward** management and employees for innovating to include impact in their work.

**Run senior management workshops** as well as cross-functional working groups to execute these goals and visions, identify possible obstacles and discuss solutions.

“For me, the challenge right now is the size of the organization – that is, being able to communicate with lots of people, getting the right stakeholders in the room, and getting people to believe in it.”

Sid Amalean – Head of Sustainable Business, **MAS Holdings**, South Asia



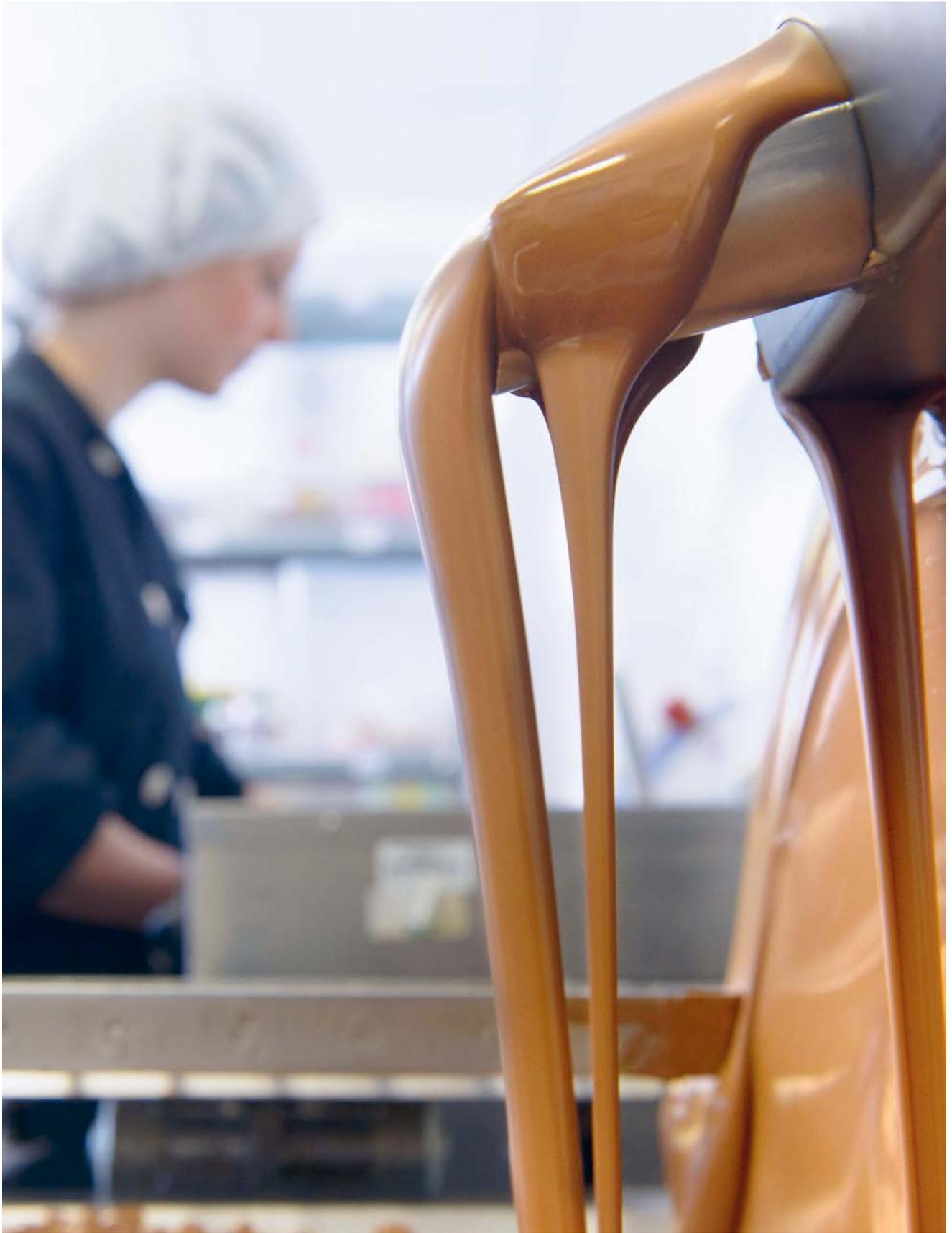
### How they did it...

## Engaging and empowering managers

Andreas Jacobs at Barry Callebaut wanted the company to make sustainable chocolate the norm by 2025. But the management team was skeptical. To win them over, he:

- delivered speeches on sustainability
- took board members on site to experience first-hand the critical roles of farmers and suppliers
- ran information and development sessions for different stakeholders

Andreas succeeded. His efforts led to “Forever Chocolate”: an initiative that aims to address the largest sustainability challenges in the chocolate supply chain by 2025.



Communicate your vision and mission throughout the company. Sharing these messages clearly, positively and enthusiastically will help you attract and retain talented employees who value working for impactful and ethical businesses. Creating a sense of belonging engages employees with the business and its goals. And companies with employees whose values mirror those of the business benefit from strong outcomes.

## Bring your employees on board

You might face some obstacles when seeking your employees' approval for your impact plans – especially if they feel their jobs are at risk. These are some ways you can overcome challenges:

**Engage with them early**, for example, by asking them to help create your company's purpose, vision, mission and strategy.

**Make it a win-win**: Show your employees how they will also benefit from the company's efforts to make a positive impact.

**Present them with a clear roadmap for change** that explains why the business needs to evolve.

**Invest in developing their skills** to ensure your employees can play a vital role in the impactful business you're building.



### Top tip

Involve your stakeholders in developing your company's purpose and vision. You might even consider empowering people to spread the word, like "purpose champions."

"Since the foundation of my company, my constant thought has been to make the relationship between me and my employees even warmer and more human."

Alessandro Garrone – Executive Deputy Chairman, **ERG**, Italy – recalling the words of his grandfather



### Did you know?

A large and growing body of literature is finding that diversity and inclusion drive better financial performance. Find out more in this UBS CIO Insight piece: [The commercial case for diversity and inclusion](#).



### How they did it...

## Managing change together

For Alessandro Garrone, Executive Deputy Chairman of ERG, the biggest challenge to change was how the business would take employees on the journey – especially as the transformation required new skills and resources.

"We're a family business that believes deeply in treating people decently and respectfully," said Alessandro. "Only by engaging with everyone constructively and openly did we gain everyone's agreement to transform our business. We identified the skills our staff already had that they could apply in the new business. That reassured everyone."



## How social intrapreneurs can drive the transformation of a business

A social intrapreneur is an entrepreneurial employee who develops a profitable new product, service or business model that creates value for society and his / her company. Studies show that the benefits of social intrapreneurship can have an important effect in helping a business to becoming a force for good. Allowing and encouraging your employees to actively contribute and drive the process of transformation might generate positive side effects on your brand, your innovation and, above all, employee satisfaction.

### The top five benefits of social intrapreneurship are:



11 Yunus Social Business (2020) Business as unusual: how social intrapreneurs can turn companies into a force for good <https://www.yunussb.com/corporate-innovation/research>

# Engage your external stakeholders

On your way to creating an impactful business, you'll need to engage your board, leaders and employees. But you'll also need to engage people who don't work within your company: your suppliers, customers and communities where you operate. Involving them early will help win their support. And you're sure to gain ideas from them that will strengthen your plans and make your transformation successful. And this is good for business.



## Work it out

Before you start engaging your stakeholders, you might want to conduct a stakeholders analysis to better understand how they could feel about the change.

### 1. Stakeholders

Who are my key stakeholders?

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### 2. Needs and interests

What are their needs and interests?

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### 3. Barriers to change

Why might they be reluctant to change?

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### 4. Alignment and divergence

How might the needs of various stakeholder groups conflict or align?

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### 5. Key messages

What should my key messages be for those stakeholders?

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### How they did it...

#### Asking stakeholders for input

Global personal care and cosmetics group, Natura &Co, collaborates closely with the communities from which it sources ingredients. For example, the group employs a team of anthropologists to visit communities and discuss profitable alternatives to chopping down trees to make broomsticks. Such actions have helped preserve two million hectares of forest.

“We asked a community if there was a possibility to do something else with the trees,” explained Marcelo Behar from Natura &Co. “They said yes, so we took the seeds to our research and development facilities to explore their scientific potential. We realized their hydrating power was superior to our previous ingredients.” With this discovery, Natura &Co could offer the community a significant higher value for the seeds than they would receive for the wood itself.”



### Top tip

To engage successfully with your stakeholders, don't take a one-size-fits-all approach in communicating with them. Tailor your communications and presentations to their particular interests and concerns. In short, fall in love with your audience, not with your content!



12 Ludo Van der Heyden (2016) INVOLVE – A Toolkit for Fair Process Communication, INSEAD Knowledge, <https://knowledge.insead.edu/leadership-organisations/involve-toolkit-fair-process-communication>



## Work it out

Applying the 5 Es model to your situation.

### Step 1 - Engage

Meet your key stakeholders to discuss what “doing good” means for your business:

- Explain the issues facing your industry and the context for changing (outside-in).
- Explain why the business needs a vision for doing good (inside-out).

▶ Why is doing good important to me?

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▶ What's my vision? I dream that...

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▶ What challenge is our business currently facing, and why is it so important to change?

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## Step 2 - Explore

Discuss the options, risks and opportunities with your stakeholders:

- Compare leading-edge impact practices with those of your business.
- Discuss ideas for creating an inspiring and inclusive impact solution.

▶ What are the leading-edge impact practices in my industry?

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▶ What are the gaps in our current practices?

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▶ What would be the risk / costs of doing nothing?

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▶ How could this change benefit us?

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### Step 3 - Explain

Meet again to explain your vision:

- Clarify your purpose and goals for the short, medium and long term.
- Set clear expectations of what's required and how the changes affect everyone.

▶ What would success look like in the short term?

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▶ In the medium term?

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▶ In the long term?

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▶ What would it take for us to be successful?

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▶ What barriers would we need to overcome? And how?

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## Step 4 - Execute

Create a compelling strategy that enables you to execute your plans successfully:

- Motivate stakeholders to embed positive impact in their strategic thinking and operational processes.
- Encourage stakeholders to develop key impact measurement metrics so the business stays on course to achieve its goals.

- ▶ What resources do we have to implement the changes (think beyond money)?

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- ▶ What processes could we change streamline / innovate to achieve more impact?

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- ▶ What else could we do to become more impactful?

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- ▶ What would success look like? And how can we measure progress?

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## Step 5 - Evaluate

Set up a committee that's responsible for continually evaluating progress and provide any support if required:

- Assess change, learn from difficulties, and explore opportunities to adapt your activities.
- Adapt the strategy and metrics if required.

▶ What should the committee be responsible for?

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▶ Who should be on the committee?

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▶ How should it make decisions?

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▶ What did we learn from past experiences?

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▶ What should we keep doing? Or stop doing? Or do in addition to our current activities?

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# Translate your purpose into a governance

A governance is a system of plans and structures that fosters harmony, clarifies roles and makes decisions more transparent.

Together with your stakeholders, you've defined what you want for your business and the impact you want it to achieve. Everyone's agreed upon the business's values, purpose, vision and mission. Now it's time to set up a governance system that will bring your strategy to life.

But don't rush things. Businesses sometimes jump too quickly into setting up their governance. Some even copy what others have done, word for word. But governance must be unique to you and your situation.

Having the right governance (and legal structures to support it) will enable you to weave positive commercial and societal impact into every strand of your company's DNA.



**Learn more**

Sustainability governance can help startups, scale ups and mature businesses – wherever you are in the business lifecycle. Read our CIO's three-part series, **Founders and corporate governance**. Please contact your UBS advisor.





## Work it out

### Key questions in setting up your governance:

– How do our values, purpose, vision and mission reflect our commitment to becoming a force for good?

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– How could our processes enable us to change (for example, compensating and rewarding employees for excellent sustainability performance)?

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– How can our legal structures and principles help drive this change? Do we need to set up more vehicles, like donor-advised funds?

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– How should we involve our board, managers and employees? Should we appoint “champions,” set up a working group, or conduct employee feedback surveys?

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– How might we involve other external stakeholders, like suppliers, government bodies and competitors?

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– Should we set up committees to oversee our progress? How should we measure it? And who should be responsible for monitoring progress?

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– What is the board / management approach and remediation actions in the event governance lapses surface internally and in public?

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– Is the company transparent in disclosing any governance lapses information in public for accountability even if it's not flagged out by regulators and the media for transparency?

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### How they did it...

## Translating family values into governance

Since its launch in 1895, flavors, fragrances and ingredients company, Firmenich<sup>13</sup>, has focused on doing the right thing for people. But as the business grew and consumer needs and regulations changed, Firmenich knew it needed clear corporate governance to stay successful.

“We needed the right structure to ensure the business would continue for decades and decades,” said Chairman of the Board, Patrick Firmenich. “The business was organized around different family members. We needed to professionalize.”

Working closely with experts and government bodies, the company reorganized, set up a formal legal structure and documented the values that drove the business. In 1991, Firmenich published its first “sustainability charter” – becoming one of the world’s first companies to produce a sustainability report.



<sup>13</sup> Since interviewing Firmenich, the company has been sold.



Step 2 – Commit

Step 3 – Compel Change

Stories of change



## How they did it...

# Engaging the next generation

Financial services company, Franz Haniel & Cie., has put the next generation at the heart of its purpose and investment strategy. How? By setting a target that, by 2025, 70% of all its revenues will arise from “enkelfähig” investments. The company uses this German expression to describe ways that younger generations will inherit a world worth living in. As part of this approach, the company only invests in products that respect:

- certain criteria, such as no child labor, corruption or bribery
- impact criteria according to specific business units
- enkelfähig criteria (see below)

## Criteria for an **enkelfähiges** business

### 10 Future Worth Living (FWL) principles by Franz Haniel & Cie

Sustainable value creation	Environmental protection	Well-being and education
<p>1.</p> <p><b>Enkelfähig</b> – We must create value for generations. We support sustainably successful business models that also guarantee sustainable success independently.</p> <p>2.</p> <p><b>Circular economy</b> – For us, the circular economy is the basis for sustainable economic activity with optimized use of resources, so that it doesn't happen at the expense of our future.</p>	<p>3.</p> <p><b>Climate change</b> – We must stop and reverse climate change.</p> <p>4.</p> <p><b>Biodiversity</b> – We protect biodiversity.</p>	<p>5.</p> <p><b>Health and education</b> – The promotion of health and education as well as access for all is our goal.</p> <p>6.</p> <p><b>Care and housing</b> – We strive for sustainable care and adequate housing for all.</p>

Social responsibility



7.

**Equality and diversity** – We stand for equality and diversity. We show mutual respect and respect human rights as a matter of course.

8.

**Fair working conditions** – We create fair working conditions that reward performance appropriately.

9.

**Compliance** – We will work against all forms of corruption, including extortion and bribery.

Innovation and tradition



10.

**Technologies** – We see technologies as a solution on the way to a future worth living.



## How do you commit to having positive impact? A recap:

- Shape and communicate your company's purpose, vision and mission.
- Identify your "sweet spot" where your company goals and strengths overlap with issues you want to address.
- Empower your leaders to drive change and motivate your employees.
- Engage your stakeholders and work collaboratively to win their support for your purpose, vision and mission.
- Establish a governance structure to oversee the alignment of your business with its new impact plan and goals.



### Step 3

# Compel change

Reshaping your business for good

Congratulations for getting this far. It's an exciting place to be – because it's time to start reshaping your family business to create positive impact for all stakeholders.

- 62** Creating your strategy for action
- 70** Collaborate for good
- 72** Measure your progress (and celebrate wins!)
- 78** Inspire the next generation



“Figuring out what to do is the easy part. Figuring out how to do it and how to actually get it done – that’s where the work starts.”

Michael McCain – President and CEO, **Maple Leaf Foods**, Canada



# Creating your strategy for action

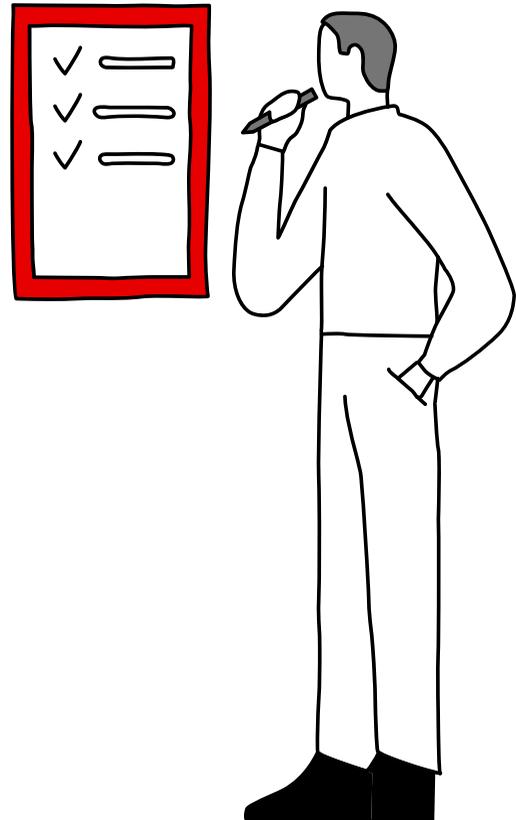
A good strategy for action should clearly show the steps, actions and measures your business needs to take to maximize impact. This is a critical step, so don't do it alone. Work closely with your stakeholders to make sure you gain support for your business. Finally, incorporate into internal staff internal communications and external brand narrative for an aligned whole-of-organization mobilization towards the impact goals.

In **Step 1**, you've identified the drivers of change and considered how it affects your business.

In **Step 2**, you committed to business impact by identifying your values and finding your sweet spot for impact.

In **Step 3**, it's time to:

- **Define** a strategy with clear short-, medium- and long-term key performance indicators (KPIs) with clear measurement strategies.
- **Drive** management accountability and employee engagement measures.
- **Determine** a governance and compliance strategy for disclosure.
- **Measure** baseline performance in the key current and emerging areas of focus for stakeholders and develop clear quantitative targets to measure success.
- **Track** and measure at regular intervals, with plans to iterate when new information requires a change of strategy.





### Dive deeper...

When a business can define the **five dimensions of impact** of its<sup>14</sup> business, it's better placed to measure it. We can define impact by the economic, social and environmental outcomes of the business – intended or unintended, positive or negative.

1. **What** – What outcomes does your business have on stakeholders?
2. **Who** – Which stakeholders are affected by outcomes?
3. **How much** – How many stakeholders are affected, how deeply and for how long?
4. **Enterprise contribution** – Did your efforts result in outcomes that exceeded what would have occurred otherwise?
5. **Impact risk** – What's the likelihood that the impact you achieve will differ from what you expect?

<sup>14</sup> Impact Frontiers (September 12, 2022) Impact Management Project <https://impactfrontiers.org/norms/>



## Work it out

Consider these questions when charting your strategy for action:

### Business transition formulation:

1. Has the company performed a materiality assessment?

Yes  No

2. Does the organization have a sustainability strategy mapping risks and opportunities?

Yes  No

3. Has the company put in place business processes, products or services linked towards achieving new business goals?

Yes  No

4. How has the firm managed suppliers' risks across its value chain (tier 1, 2 and 3) risks and conducted training?

#### Notes

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### Internal management and community stewardship:

1. Are there employee well-being and DE&I initiatives?

Yes  No

2. Is the company investing into training to strengthen organizational and individual development?

Yes  No

3. Is the company supporting community causes and being an active steward at where it operates?

Yes  No

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## Governance and compliance:

1. Is the firm engaging external support or has it hired internal specialists to determine and manage its needs, goals and opportunities?

Yes  No

2. Has the company actively developed a governance and compliance program with a clear structure, management accountability? And does it have enough resources allocated?

Yes  No

3. How strong are the company's efforts to establish sustainability culture from the top and communicate to the wider organization?

### Notes

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## Target setting and progress tracking:

1. Has the company set targets for short-, medium- and long-term material topics and tracked their performance? Are these based on science, industry practices and data?

Yes  No

2. Does the company have a board member or board committee for oversight of the sustainability agenda, and have KPIs and remunerations tied to overall ESG and environmental performance?

Yes  No

3. Has the company disclosed information on its ESG / impact reporting? Does it have external assurance for sustainability data collected and published?

Yes  No

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**How they did it...**

Focusing on the right strategy

Maple Leaf Foods' vision was to be the most sustainable protein company on the planet. So, the business refocused all its activities towards that one goal. "We've defined all of our strategies for growth and prosperity around that vision," said President and CEO, Michael McCain.

Today, the business sources meat from animals that are raised with care and minimal use of antibiotics according to standards that respect the five freedoms of animal welfare: freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury and disease; freedom to express normal behavior; and freedom from fear and distress.



## Challenges on strategy implementation

Once the strategy formulation is finalized, it is important to have develop milestones for short-term small wins and long-term key success indicators to keep the business on track. Watch out for these challenges as the business moves forward:

**Misalignment:** All functions in the organization need to be consistent in executing the strategy.

**Unsuccessful communication:** The strategy must be clearly translated to internal audiences and other stakeholders.

**Ineffective change management:** To change mindsets and engage people, there must be buy-in from stakeholders.

**Lack of capability management:** When there is little or no current internal expertise in the organization, there may be need for an external consultant to drive the strategy.

**Need for risk management and mitigation:** Assess with care your compliance or reputational risk with new initiatives, while moving to market before the issue is stale.



### Top tip

Your strategy for doing good shouldn't harm your profits. Make sure that your impact strategy enables you to run your business successfully. And this should go hand-in-hand with consistent execution (though this might not be perfect at the start). Identify and pilot impact activities across the focus areas with expected budgets and resourcing, timelines, impact assessment and expertise required. Constant follow-ups with key stakeholders are vital to prevent bottlenecks from forming, as these new topics might not always be priorities. Finally, celebrate successes and acknowledge internal champions driving organizational momentum in creating and scaling impact.

"If you have the right purpose, profits will follow."

Pedro Carvajal – President, **Carvajal Group**, Colombia



**Dive deeper...**

## Why greenwashing won't wash

There are numerous interpretations of the term “greenwashing,” leaving many perplexed as to how to avoid this pitfall on the path to sustainability. Put simply, greenwashing could be described as portraying a company, product or service in a way that potentially confuses or misleads stakeholders about true environmental impact.

One practical way to reduce the risk of greenwashing is to examine environmental consequences for the core of a business with as much quantitative rigor as possible (similar to measuring commercial performance). Communicating commitments without concrete underlying actions can be perceived as merely a public relations exercise, rather than a genuine attempt to create change and impact.

An example of how to avoid it? Let's say a manufacturing company measures material wastage as a key performance indicator. An incremental step might be to measure both the financial and environmental cost (like carbon emissions and water usage) of this excess. Redesigning manufacturing processes to reduce or eliminate waste saves money – yes – but it also conserves natural resources for production. And for some companies more advanced on their sustainability path, repurposing waste as part of a circular approach could both reduce the company's environmental footprint as well as open up a new commercial line with possible positive revenue and cost implications.

# Collaborate for good

"I tried to drive innovation in the company, but without the managers, without the team, I don't think I could have done it."

Alessandro Garrone – Executive Deputy  
Chairman, **ERG**, Italy

There's no need to go it alone. Where can you create collaborations and get champions doing part of the work? Start by working with stakeholders inside your business: create a committee of managers and board members to discuss ways to transform the business and maximize impact.

For external business partners, you might work with your suppliers to help them on their journey to sustainability, which can in turn support your impact goals. This could involve you measuring their performance against sustainability goals such as decarbonization (Scope 3 emissions) or mitigating supply chain risks like labor and human rights.



## How they did it...

### Working with suppliers

Clean power and thermal management solutions provider Delta Electronics wanted its suppliers to become more energy efficient and less wasteful. The business urged each supplier to follow its lead, providing them with guidelines to follow on energy efficiency, water consumption and waste management.

Today, Delta Electronics works with its suppliers to make sure they're operating as sustainably as possible. To work with the company, suppliers need to prove they're following strict measures. Chairman Yancey Hai says, "We've implemented standards on sustainability measures, such as energy and water consumption, and waste management."

"It is commonplace to say we should unite the private sector, public sector, academia, science and non-government organizations. Natura &Co has always done this. We have never accomplished anything alone. For example, dealing with the climate crisis is excellent, but to achieve this objective, we also have to work on regulations."

Marcelo Behar – Vice President  
Sustainability & Group Affairs,  
**Natura &Co**, Brazil

Don't only collaborate with people who work in and for your business. Cast a wide net. Reach out and work with competitors, governments, customers, non-government organizations and communities. Together, you can create new products, improve current solutions, change mindsets, influence policies and – ultimately – achieve more than would ever be possible alone.

“If we can bring companies together and commit to certain levels of sustainability, then we can move the needle in the chocolate industry.”

Andreas Jacobs – former Chairman, **Barry Callebaut**, Switzerland



#### How they did it...

### Collaborating for change

The chocolate industry is small, with around eight companies representing 90 percent of the business. Andreas Jacobs from Barry Callebaut wanted each company to work together to address the challenges in the supply chain of cocoa production.

“In 2012, we set-up a biannual forum called Chocovision,” said Andreas. “I invited Bob Geldof and he gave an amazing speech. He said: ‘You’re idiots. It’s only you eight. You’re messing this whole thing up and if you don’t fix it in Africa, you’ll never be able to look yourselves in the mirror or answer your children’s questions.’”

Chocovision invites politicians, government representatives and community leaders to share insights. Participants are working together on many projects: “We’re collaborating and sharing information towards common goals. Each company has a different approach and a different program, but we’re leading this together under one umbrella and with one shared objective.” As of 2022, Chocovision is integrated into the European Cocoa Association (ECA) Forum, allowing for more focused dialogue on sustainable cocoa and chocolate supply chains.

# Measure your progress (and celebrate wins!)

“We need to change how we measure impact. We measure profit. But profit is just a concept and a system we've invented to define success. If we only measure money, we're only capturing a fraction of human activity. We're missing all the unpaid positive work we do, like running clubs and caring for our children. These activities are the essence of our social fabric.”

André Hoffmann – Vice Chairman, **Roche**, Switzerland

Making a positive impact in business is only half the story. Measuring it is the vital second half. If you don't measure your impact, you'll never know if your strategy is progressing properly, working at its best or – worse – actually harming your business and others. The benefits of measuring impact include:

**Optimizing resource allocation:** Impact data can reveal whether your business is on track to achieve its goals and whether your activities match your vision. By identifying risks and problems early on, the data enables you to rapidly adapt your strategy.

**Realizing growth opportunities:** Impact data helps businesses understand their customers and develop products and services that better match their needs.

**Improving effectiveness:** Impact data can help improve your business operations – for example, by identifying ways to deliver services more cost-efficiently.

**Enhancing reputation:** Providing customers, investors and candidates with proven positive impact data generates trust and loyalty – essential ingredients for successful businesses.

## So how can you measure your impact?

The good news is, it doesn't have to be complicated or expensive. And you don't need to call on costly experts to get started. But you'll need to plan carefully.

There are lots of measurements to choose from and the key is to be systematic in designing a framework for impact metrics data collection and be consistent in collecting the data on a regular basis. Some impact focus areas could take a longer time to be realized and collected, especially if there are external stakeholders and communities involved (not to mention the advancement of climate science).



### Learn more

Looking for insight to develop your metrics? A good place to start is the World Economic Forum's report, [Measuring Stakeholder Capitalism: Toward Common Metrics and Consistent Reporting of Sustainable Value Creation.](#)



### Dive deeper...

## Redefining and measuring success

Launched by Harvard Business School, the Impact-Weighted Accounts Project rethinks how companies should define their success. It pushes for businesses to account for their social and environmental performance (positive or negative) as well as their financial performance. Doing so internalizes externalities that could otherwise be omitted from the usual financial reporting process.

The project recommends that businesses evaluate their actions in a holistic way and consider the cost of common goods that are destroyed or created. For example, if a company makes profits while cutting

down large areas of rainforest, this cost of resource destruction needs to be factored into the bottom line and made transparent.

This approach shifts people's focus to a wider definition of profits, enabling them to see whether the business is making a positive or negative overall impact. The approach also helps investors make better decisions and avoid funding businesses that, ultimately, destroy value. For more information see: [IWA page.](#)





## Work it out

### Measure your progress:

- ✓ Define what you need and want to measure.
- ✓ Check if the measurement is a regulatory requirement and, if it is, what required standards you need to apply. If voluntary, determine the industry best practice.
- ✓ Look at practical ways to measure impact, like surveying your stakeholders and setting targets to reduce emissions. To help you choose the right type of measurement, ask others for insights and do some research and benchmarking.
- ✓ Set up reporting processes for your teams to input information. There are lots of desktop reporting solutions. Look for those that are easy to use, provide the level of detail you need and consolidate all information into one clear dashboard.
- ✓ Set up regular feedback processes with your shareholders to communicate progress and gather insights for improvements.
- ✓ Consider whether you could monetize some of the data you gather – for example, as a service for customers.





**Dive deeper...**

### Defining a framework for impact assessment

The Global Initiative for Sustainable Tomorrow (GIST) has developed a unique approach in measuring impact, Centered on the concept of Integrated Profit & Losses. It places an economic valuation on the impact companies have on the environment and society. GIST's four-capital approach – aligned with globally accepted standards – defines a sustainable measure of a company's performance by accounting for its externalities. This helps leadership to steer the business to positive impact.<sup>15</sup>



<sup>15</sup> A Summary of Impact Assessment (October 17, 2020) INSEAD Hoffmann Global Institute for Business & Society <https://www.insead.edu/centres/the-hoffmann-global-institute-for-business-and-society/stories/a%20summer-of-impact-assessment>

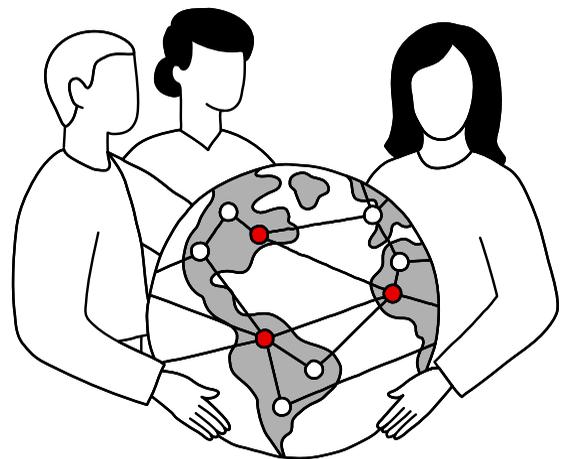


**Dive deeper...**

## Creating a community of sustainable companies

B Lab is a non-profit global network that inspires and enables people to use business as a force for good. Businesses within the community are Certified B Corporations. This means they meet the highest standards of verified social and environmental performance, accountability and transparency.

Certified B Corporations are leaders in the global movement for an inclusive, equitable and regenerative economy. B Corp Certification is holistic, not exclusively focused on a single social or environmental issue. Considering company size and profile, verification involves documentation of a company's business model and information about operations, structure and various work processes, as well as review of potential public complaints and possible site visits. Recertification confirms these standards continue to be met on an ongoing basis.





# Inspire the next generation

“The most fulfilling purpose for me is knowing that the next generations will have it easier and easier.”

Julie Smolyansky – President, CEO and Director,  
**Lifeway Foods**, United States

If you want your company's impact to last beyond your lifetime, it's vital that you inspire and encourage the next generation to take part in your efforts. This will do more than ensure your impact continues for years to come. It will also make the next generation more committed to the family business and passionate about making impact. Better still, those young minds can bring fresh and exciting perspectives that help you maximize your impact.

Here's how you can bring the next generation on board...

- Encourage** > the next generation to expand own experience and knowledge of the broader business landscape. Make them work outside the family business before joining.
- Share** > the vision set for the company to guide them. Communicate clearly the family business's purpose to help them reinvent their commitment.
- Involve** > them in discussions about the business and how the business can be a force for good. You can for example, make it part of the family constitution discussion.
- Establish** > on-site programs to give them a better sense of the culture. Create small integration steps to help them understand the business.
- Engage** > them in social and charitable activities to instill values. Make them join family business meetings, or specific projects.



## Did you know?

Businesses that manage sustainability, or ESG, risks better may have more optimal deal conditions at sale. Learn more: [Sustainability transparency and your business exit](#).







## Work it out

### Questions for the current controlling generation:

Where do I stand in the family business? What's my role?

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How do I see my role evolving in the future, and by when?

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What's my vision of doing good in our business?

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How do I view my role in transforming the business for good?

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What do I expect from the next generation?

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What can I do to enable the next generation to become a force for good?

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How do I view my role in transforming the business for good?

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What do I expect from the current controlling generation?

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What can I do to enable the current controlling generation to become a force for good?

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“What differentiates family businesses from other companies is that the younger generations have more opportunities to put their entrepreneurial skills to work.”

Johan H. Andresen – Chairman, **Ferd**, Norway

Current versus next generation questions:

In what areas do we share the same ideas and values?

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Where do we differ?

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Is there anything that could cause conflict? If yes, how and why?

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How can we collaborate successfully?

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What will we do next as a family to become a force for good?

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## How do you compel change within your business? A recap:

- Map out a strategy for action with clear key performance indicators (KPIs).
- Communicate your impact strategy and actions through every level of your business to unite everyone behind your goals.
- Collaborate with all internal and external stakeholders on your journey to impact.
- Set up compensation and performance measuring systems to monitor and reward (or otherwise) negative and positive impact outcomes.
- Ensure your impact continues for the long-term by engaging the next generation.

# What next?

Great work! You've reached the end of the compass. We hope it's inspired you to transform your business into a lasting force for good.

Just like achieving anything worthwhile in life, reaching your impact goals won't be easy. It requires you to examine and challenge your business model. It demands that you work closely with lots of different people, both from inside and outside your company. It's a journey that requires constant iterations and risk-taking with lessons to share and lessons to learn.

Even when everything's in place, your journey isn't over – because you'll need to keep engaging your stakeholders, measuring your progress and refining your efforts. It's hard work. But it's hugely rewarding. Not just for you, your family and your business – but for every living thing on the planet.

And remember, you're not alone. Whenever you need any guidance or support, just get in touch and we'll point you in the right direction. Because in all our years of helping family businesses achieve lasting impact, we've learned a valuable lesson: the journey to change is a road best travelled together.





## Seven key takeaways

- 1 Doing good is good for your business when you pursue impact aligned with your business goals (and use individual, philanthropic and investment activities for impact elsewhere).
- 2 Understanding how internal and external factors are driving change can help you focus your impact.
- 3 Finding your sweet spot to commit to using your business for good supports both your financial and sustainability goals.
- 4 Understanding and aligning your family values with the business purpose, vision and mission statements can create a value-driven culture.
- 5 Working closely with your stakeholders (customers, employees, suppliers and governments) will reveal more opportunities to make an impact.
- 6 A winning strategy for impact needs clear KPIs, regular measurement and kudos for progress.
- 7 Bringing the next generation on board will ensure impact in the long term, an important part of your legacy.

# Stories of change





# Unlocking potential

How Ferd inspires sustainability by taking responsibility it does not have



## Johan H. Andresen

<b>Company:</b>	Ferd
<b>Title:</b>	Owner and Chair
<b>Industry:</b>	Financial services
<b>Founded:</b>	1849
<b>Family generation:</b>	Fifth
<b>Value Adjusted Equity (2021):</b>	EUR 4.8 billion

## 4 big takeaways

Go as far as you can – then go further



The business world won't save the planet with half measures. If you've started making your company more sustainable, keep going. If you've achieved your first sustainability goals, find some more. Explore new directions. Investigate other solutions. And never stop. Only by pushing relentlessly can we hope to save our planet from the most pressing social and environmental challenges.

Unite under a common banner but tweak as you go



If there are lots of different areas in your family business, you'll want to make sure everyone knows and shares common values regarding sustainability and impact. But what works for one part of the business may not be appropriate for another. So prepare to tweak your impact strategy to suit your company's different operations.

Be bold



Sometimes, you'll need to make bold decisions for the good of your family and business – even if it's something as dramatic as selling a core area of your company. Try to see such challenges as opportunities to create a fitter, sharper company that's primed to last for generations.

Do your homework



To make sure you're picking the right business partner, you'll need to do your research. Look into the company's history. What are its values? What's the founder's background? Can you identify strengths that might give them an edge? Due diligence can be time consuming – but it's the best way to find the perfect match.



*"We want to attract great people who can change things. I'm not Plato's philosopher king, Warren Buffett or Elon Musk. I don't know where we're going. But I attract people with great values and potential. And, basically, I let them loose."*

## Background

Ferd is a family-owned Norwegian investment company which owns companies mostly with majority stakes, but also with a minority, in partnership with other families and entrepreneurs, businesses from various sectors, including those involved in social entrepreneurship. Its vision is “to create lasting values and leave clear footprints” which bodes well for businesses, stakeholders and the planet.

## Challenges

One of Ferd’s core businesses back in 1998 was in the tobacco sector, with 90% of its sales produced on license. But when the license provider threatened to withdraw granting rights, Johan knew change was in the air.

He also realized Ferd needed robust procedures for assessing and choosing suitable businesses to invest in. But Ferd’s structure presented a challenge because it comprises different businesses, each with their own strategies. “We are, in a sense, a strange and unique animal in terms of the way we’re set up,” said Johan. How would Johan and his team align the organization behind the same sustainable goals?

To show the operating businesses that becoming sustainable was a risk and an opportunity worth taking, Johan decided that taking responsibility that Ferd did not have, like scaling social entrepreneurs, partnering with the government to reach the extreme poor with financing, and selecting certain SDGs for an impact investment strategy, could be a way to go. But who would be best to implement and manage them? An expert third-party? Or Ferd itself? “We didn’t even know how much money we were going to allocate to this new area,” confirmed Johan.

## The solution

The license provider’s demands compelled Johan to sell the tobacco business – which he believes was a good move for his company: “Sometimes it’s necessary to sell the core business if it holds you back. Some core businesses can be turned around and changed, but in some cases, this is impossible.”

Now, before committing to invest in a business, Ferd needs to know it meets certain criteria: “We go through a strict due diligence process, looking into the values of the company and background of its people. But everyone in the business of buying companies does that. We take it further, making sure the business can achieve its environmental and social goals, or at least get very near to them.”

Today, Ferd invests in companies that share its goal to create sustainable change – and can deliver growth and attractive returns over time. In the pitching stages, companies must explain where they expect to have an impact, and how they will achieve their goals.

“First and foremost, we want to attract great people who can make a difference. I’m not Plato’s philosopher king, Warren Buffett or Elon Musk. I don’t know where we’re going. But I attract people with great values and potential. And basically, I let them loose.”

When it comes to aligning Ferd’s businesses behind the same values, Johan recognizes there isn’t a one-size-fits-all approach: “While our businesses share the same overall ambitions, they don’t necessarily share the same frameworks. What works for an engineering company probably won’t work for a sporting goods company, for example.”

Ferd decided it would launch and manage its own impact investment solutions, rather than rely on third-party providers: “It’s a big decision whether you do it yourself or you let somebody else do it. We said, ok, let’s do it ourselves and build on something we’re already good at because that will show everyone in Ferd that they can do it too.”

# Roots to branches

Why Natura &Co collaborates with communities for the greater good



## Marcelo Behar

<b>Company:</b>	Natura &Co (Avon, Natura, The Body Shop and Aesop)
<b>Title:</b>	Vice President, Sustainability and Group Affairs
<b>Industry:</b>	Personal care and cosmetics
<b>Founded:</b>	1886 (Avon), 1969 (Natura), 1976 (The Body Shop)
<b>Family generation:</b>	First
<b>Turnover:</b>	BRL 36.922m for Natura &Co in 2020

## 4 big takeaways

Work with nature



If you work in a sector that uses naturally replenished sources, to respect nature you may need to fit your business around their natural lifecycles. Not being able to sell certain products at certain times might not be ideal commercially. But it's good for nature – and your customers will appreciate having something special to look forward to.

Offer alternatives



If the ingredients for a product aren't currently available, look to offer your customers alternatives. We live in a big world with lots of biodiversity (if we protect it). Your customers will welcome you recommending other products that do a similar job without harming the planet.

Work with your suppliers



Value the experience of the people who work every day with the materials you need. Collaborate respectfully, discuss approaches and look for ways to operate more sustainably. They might recommend an approach you'd never have considered. Equally, your unique perspective could reveal new ways of doing things.

Lead the way



Be proud of your company's commitment to sustainability. Openly communicate your efforts and your belief that sustainability is the right and only way to go. And don't just share your message locally. If you have the size, reach and resources, take your message worldwide. Only with a massive planet-wide effort will we bring our world back from the brink.



“There's a lot of beauty in the world. The biggest challenge now is working out how to adopt practices that will regenerate the world's living systems.”

## Background

Natura &Co is a family of four purpose-driven businesses – Avon, Natura, The Body Shop and Aesop – united by their common goal to shape a better, more caring world.

Natura, the mother company, is a Brazilian global personal care cosmetics group. As a founding member of the Union for Ethical BioTrade, Natura's sourcing practices work to conserve biodiversity, respect local and traditional knowledge and share benefits fairly throughout the supply chain. For example, the group collaborates closely with over 30 communities and more than 7,000 families in the Amazon to sustainably source ingredients from biodiversity. Through a team of anthropologists Natura goes deep into the jungle, working respectfully with local and traditional communities, to identify business practices that benefit the people, forest and business.

"Natura sources in a way that goes far beyond fair trade," said Marcelo Behar, Vice President, Sustainability and Group Affairs for Natura &Co. "It helps communities evolve and enables children to stay in those communities."

In 2020 Natura &Co established a sustainability vision for 2030, Commitment to Life, which sets out 31 bold and ambitious targets to tackle some of the world's most pressing issues. These include, among other things, paying the living wage, reducing packaging, and becoming net-zero.

## Challenges

As a business that relies on natural resources, some ingredients are only available at certain times in a natural cycle. This results in some products not being available all year round. How could Natura turn this commercial obstacle into a plus for customers?

When collaborating with communities, the business also sometimes encounters unsustainable practices driven by economic reward. For example, in the Amazon, loggers began to prize the Ucuuba tree's strong and lightweight wood for making products.

The felling of the tree put the species at risk of extinction, in response to which Natura began working together with local communities to preserve Uccuba. "There's a lot of beauty in the world. The biggest challenge now is working out how to adopt practices that will regenerate the world's living systems."

## The solution

To overcome the issue of some products not always being available, Natura turned to tried-and-tested honesty. The company is upfront about the natural cycles that drive product availability. At the same time, Natura offers sustainable alternatives to unavailable products: "For several months, we sell other alternatives. That creates some commercial difficulties. However, it enables us to position products as special items at certain times in the year."

Ensuring Natura is 100% sustainable depends on the business collaborating with communities in its supply chain according to the principles of fair trade, engaging in Access and Benefit Sharing, and supporting local development. The company offers these communities alternative streams of income which do not involve harming the forest. For example, by planting and selling Ucuuba seeds rather chopping down the trees.

Ucuuba seeds provide highly hydrated and light ingredients for skincare products. The trees are five times more valuable to communities when they're alive and growing, than they are when cut down for timber. As a global business, Natura &Co does all it can to operate sustainably: "Natura &Co endeavors to advance a progressive way of thinking. We believe deeply in the power of collaboration and are working hard to spread sustainable practices on a global scale. We all need to start operating in a different way."

# Street talk

How Carvajal Empaques builds trust and creates better communities



## Pedro Carvajal

<b>Company:</b>	Carvajal
<b>Title:</b>	President
<b>Industry:</b>	Paper & Packaging, Real Estate and technology
<b>Founded:</b>	1904
<b>Family generation:</b>	Fourth
<b>Turnover in 2019:</b>	EUR 1,280 million

## 4 big takeaways

Build trust by listening



One of most important steps in any philanthropic journey is to listen to the people you're seeking to support. Imposing solutions on people breeds mistrust and discontent.

Discuss solutions



By listening first, you're showing you truly value their input and ideas. Once you've learned more about people's situations and needs, it's time to get down to the business of discussing solutions with the community. Set up regular meetings, workshops and focus groups to discuss potential solutions. You might also conduct surveys to clarify the information you've gained from those discussions.

Act on your findings



Listening and discussing with the community is only the start. All that effort will mean nothing if you don't act on it. And it will destroy the trust you've worked so hard to build. So use everything you've discovered to create a plan for delivering solutions – then make sure you work as a team to implement them.

Collaborate with public bodies



The challenges people face are too big for one company to tackle. So reach out to other organizations – public and private – and discuss your goals, ideas and projects. Connecting with others is likely to spark new initiatives, whether that's expanding a current project or creating a new one.



*"We said we're not the government and we can't replace it. We're a foundation that just wants to help create a better society – and you're the best people to tell us how to do that. From that moment, we started earning people's trust and confidence."*

## Background

Carvajal Empaques is a family-owned packaging, paper and technology business. In 1961, its founder, Manuel Carvajal, launched the Carvajal Foundation to leverage his company's financial success, expertise and partnerships to support local communities.

"A healthy company cannot prosper in a sick environment, because sooner or later that will affect the company," said the member of the third generation, explaining his motivation for launching the Foundation. "Therefore, responsible entrepreneurs must engage in solving social problems."

Today, the Carvajal Foundation is an integral part of the business, acting on its desire to build trusting and lasting relationships, and help shape a better society. The Foundation supports vulnerable people throughout the Colombian city of Cali and the Valle del Cauca department.

## Challenges

With millions throughout Colombia living in extreme poverty, addressing the region's societal challenges is no easy task. "It's often the case that families need to choose who gets to eat today," explained Pedro Carvajal, President of Carvajal Group.

To truly make a difference, Pedro and his team knew they needed to connect directly with the local community: "We needed be out on the street, listening to and learning from people. We don't use intermediaries – we want people to tell us what they need."

Even that proved challenging: "You can't imagine the anger the community felt for us in those first meetings. They didn't even look us in the eye. They saw us as corporate devils."

The COVID-19 pandemic also hindered progress: "People were in very stressful situations. Some had lost family members, others, their jobs. They couldn't pay their bills or buy food for their families. But we weren't listening carefully enough to them. We just didn't know what people were going through in their lives."

## The Solution

For Pedro, listening to and working with people – not dictating solutions – was the key to building trust. Who better to help create solutions than those who will eventually benefit from them?

The Carvajal Foundation held workshops, meetings and focus groups with communities. The first step was to explain what the foundation is – and what it isn't: "We said we're not the government and we can't replace it. We're a foundation that just wants to help create a better society – and you're the best people to tell us how to do that. From that moment, we started earning people's trust and confidence."

Pedro and his team are already seeing the success of this approach – right on the streets of Cali: "People welcome us. They see the opportunities for their futures. Only recently, I walked for about four hours around one of Cali's toughest neighbourhoods. People are impressed that we're taking the time to meet and talk with them."

With trust firmly established, the Foundation works closely with communities, discussing and surveying their thoughts on solutions. From there, the team creates and implements a plan of action. The Foundation also collaborates with public bodies, helping expand the impact of projects. For example, based on one of the Foundation's programs to support local businesses, the Colombian government launched a National Plan for the Development of Micro-enterprises.

# Making perfect sense

How Firmenich established its values for good



## Patrick Firmenich

<b>Company:</b>	Firmenich
<b>Title:</b>	Chairman of the Board
<b>Industry:</b>	Flavors, fragrances and ingredients
<b>Founded:</b>	1895
<b>Family generation:</b>	Fifth
<b>Turnover in 2019:</b>	EUR 3,680 million

## 4 big takeaways

Set up strong governance



Having strong corporate values is only half the story. To ensure they work, you'll also need to establish strong governance. This involves setting up robust corporate structures, such as communication channels, boards, processes, and documentation that captures your values and mission. Governance is the machinery that will bring your values to life.

Stay true to your values – but adapt to change



You should stick to the values that made your family business successful, but be nimble enough to spot and adapt to changes in your market. Consider creating a team that keeps a close eye on your sector (for example, developments in sustainability) and proposes ways to capitalize on opportunities.

Collaborate to achieve more



Ensuring your business is as sustainable as it can be – and able to reshape itself to changing markets – are complex tasks. Don't make the mistake of believing you can tackle everything alone. To maximize your chance of success, collaborate with others, such as sustainability experts, other companies, NGOs (non-governmental organizations) and government bodies.

Nurture the next generation



To make sure your business lasts for generations, don't ignore the next generation. Introduce them early on to your company's values and nurture their talents over time. Like Firmenich, you might consider setting up a family committee to manage the task of developing your company's future leaders.



*“Our core values have always been there. What's important to us hasn't changed. What we call sustainability now, we used to call a standard of ethics, but for us, it's the same.”*

## Background

Founded in 1895, Firmenich is the world's largest privately owned fragrance and taste company. Its goal? To create positive emotions and improve wellbeing – and all while helping protect the planet.

Around 40 years ago, the company established its core values, which focused on being a good citizen, behaving appropriately in business and always doing the right thing for people. Firmenich has followed this moral compass ever since.

“Our core values have always been there,” said Patrick. “What’s important to us hasn’t changed. What we call sustainability now, we used to call a standard of ethics, but for us, it’s the same.”

## Challenges

The company's values remained at the heart of its operations. But by the early 1970s, a vital piece of the jigsaw was missing – proper governance: “We needed the right structure to ensure the business would continue for decades and decades. The business was organized around different family members. We needed to professionalize.”

Equally, while Firmenich's values wouldn't change, the world around it wouldn't stand still: “Everything around the business – including its structure, distribution and clients – would change, so we needed to be able to adapt.”

But how could the business rapidly spot new trends and reshape itself to capitalize on them?

## The solution

In the 1970s, Firmenich adopted the governance it needed to succeed for generations. The company reorganized, set up a formal legal structure and documented the values that drove the business. In 1991, Firmenich published its first “sustainability charter” – and became one of the world's first companies to produce a sustainability report.

To keep pace with changes in its sector, Firmenich set up a dedicated sustainability department. But the management team realized the topic was too big and complex to tackle on its own. “To do the right thing, we work closely with others, such as NGOs (non-governmental organizations) and government bodies. Working with them is a magical combination.”

The business knew it needed to go further: “We created a sustainability council, which comprises seven experts and advisors to the company. From there, our department coordinates all our efforts.”

With its sights firmly on the future, Patrick and his team are nurturing the next generation of business leaders: “We decided very early on to introduce the family's next generation to the company's values and purpose. So we've created a family committee to take care of developing them.”

Whatever might change in Firmenich and the wider world, one thing's for sure: the company will always be committed to sustainability: “There were times when the company wasn't doing too well. But that's part of the normal business cycle. Throughout, we've never questioned our sustainability strategy. Never. When you have your name on the door, you want to be proud of your company.”

# Built to last

How Haniel is creating value for a future worth living



## Florian Funck

<b>Company:</b>	Haniel
<b>Title:</b>	Chief Financial Officer
<b>Industry:</b>	Investment Holding
<b>Founded:</b>	1756
<b>Family generation:</b>	Eight
<b>Turnover in 2021:</b>	EUR 3,676 million

## 4 big takeaways

Find opportunities in a crisis



No business wants to go through bad times. But it's possible to see rays of sunshine through the clouds. A crisis often comes with a strong sense of urgency and desire to change. Harness those emotions to embark on the change you've been seeking. It's a great time to gather everyone together, work out how you're going to weather the storm, and reshape the business for the future.

Show conviction in times of transformation



In a large, complex family and business, seeking agreement on transformational changes is never going to be easy. It's the management's responsibility to show conviction and thus to offer a concrete strategy for development to the supervisory board in the first place and the shareholders thereafter.

Financial success and sustainability go together



Operating sustainably isn't just good for the planet, in the 21st century sustainability is becoming a premise for economic success. Companies play an essential role in shaping the future of our planet. Together, they can make a difference: By rethinking entrepreneurship and putting sustainability into the core of their strategies.

Keep talking



Transforming your business into a sustainable company requires the support of shareholders and employees. So, you'll need to communicate and engage with them regularly. You'll only win their backing if everyone understands the goals, why they're important and how they can play their part.



**"For us, it's about being in business for a very long time – not just being successful for the next five years. It's not a game about winning or losing. It's about staying in the game for good."**

## Background

Founded in 1756, Franz Haniel & Cie (Haniel) is a 100% family-owned company with a long-standing history and a track record of reinventing itself, managing a diversified portfolio of independent businesses. In 2019, Haniel embarked on a new strategic journey triggered by lagging performance over the last decades but also the urgent need to adapt to a new socioeconomic and investment environment.

With the survival instinct kicking in, the business wasted no time transforming into a sustainable organization. As a leading purpose-driven investor in Europe, Haniel wants to build sustainable companies that secure a future worth living. The company's purpose is to become *enkelfähig* and create value for generations. "*Enkelfähig*" (grandchildable) unites two elements: financial performance and sustainability. Haniel's ambition is to build and develop a balanced portfolio of truly *enkelfähig* businesses that meet both performance goals and sustainability requirements. "The business and the family will only have a future if we generate value. For us, it's about being in business for a very long time – not just succeeding for the next five years. It's not a game about winning or losing. It's about staying in the game."

## Challenges

The need to change was clear to the company's management team. But in a large shareholder family, seeking agreement on a big transformation is never going to be easy: While some said, the company needs to be financially successful first, others believed chasing profits alone is a thing of the past.

"In our company, there's a clear separation between management and shareholding. Since the beginning of the 20th century, corporate management has been entrusted to external managers. Entrepreneurial decisions can thus be taken in order to achieve optimal business results. But of course, it is the management's responsibility to show a credible path for the future and to convince the family which is represented in important governance bodies such as the supervisory and advisory boards."

How would the management team persuade the family that sustainability was the right way to go?

## The solution

The company needed a change – and not only Haniel, but the whole economy has to change to tackle the challenges of the climate change. The Haniel management team was sure that profit and sustainability aren't mutually exclusive. In fact, in a longer-term perspective you can't have one without the other: "The industries that are emerging to help solve the planet's problems will be the fastest-growing industries the world has ever seen. So it's clear where we needed to go."

Changing traditional profit-focused mindsets required strong conviction: "The CEO and management team stood up and said: We're asking for your support. And in turn, you can hold us accountable for delivering in a sustainable and profitable way." The management team closely aligned the strategy with the inner circle of the family: They discussed the most important cornerstones of the journey, defined the vision, the investment strategy and management approach. The next step was to communicate the new strategy to the other family members, which are spread across the world. The management team answered questions personally. "We've been trying to communicate our goals at every level of the business and family. That hasn't been easy, especially with the challenges of the pandemic. There's still a way to go – but communication will be key to our success." Moreover, they had the support of climate change experts within the family. It turned out that especially among the younger family members the sustainable strategy approach increased the interest in the company.

The whole transformation led to a cultural change within the Haniel group: "It is not about just having sustainability strategy but to make sustainability the core of the strategy." Every portfolio company has to develop *enkelfähige* products and services. The aim is to reach 40% of turnover in 2022 coming from *enkelfähigen* solutions. "Because it is not about reporting but to convince the customer."

# Positive energy

How ERG transformed into a sustainable energy business



## Alessandro Garrone

Company:	ERG
Title:	Executive Deputy Chairman
Industry:	Energy production
Founded:	1938
Family generation:	Third
Turnover in 2021:	EUR 1,232 million

## 4 big takeaways

Nurture strong relationships



Bringing a family business with you on your transformation plans involves engaging with people, respecting their opinions, and empowering the next generation to make bold decisions.

Seek external support



However no matter how experienced a business family might be, it's always good to get a different perspective on things. External managers can help family businesses spot opportunities and risks they were perhaps unaware of – and smooth the path to future success.

Scaling up



Transforming a large and complex business won't happen overnight. It could take years (ten, in the case of ERG). With determination, commitment, and enthusiasm, you'll get there.

Value your values



When taking your business in a new direction, never underestimate the values that made your family successful in the first place. For ERG, shared family values of trust, heritage, respect and common decency propelled the business over the finish line.



“Perhaps the hardest part was trying to change traditional mindsets within the previous generation.”

“Our business might have changed, but our values never will.”

## Background

ERG is an independent renewable power producer, Italy's leading wind-power operator and a frontrunner in Europe's green energy market. Today, the company focuses on producing sustainable energy, and is playing a big role in helping reduce the risks of climate change.

"My father had worked in the industry for over 40 years, so in 2002, the family decided to appoint me as CEO and my brother as Chairman of ERG," said Alessandro. "In 2006, we wanted ERG to be a leader in sustainable energies. But not just because it was the right thing to do. It was also because we wanted to diversify and mitigate business risks in areas such as volatile oil prices and political issues."

That was the plan. But like any big change in business, it didn't happen overnight. In fact, it took more than 10 years for ERG to cast off its oil-focused past and emerge as a truly sustainable energy company.

## Challenges

In an industry more used to appointing CEOs from outside business-owning families, Alessandro faced some skepticism at first: "Appointing family members as business leaders can unnerve investors. This is why it was very exciting but also very challenging."

His planet-saving plans also faced obstacles in the company board room. "There were doubts that this was the right way to go," he said. "Perhaps the hardest part was trying to change traditional mindsets within the previous generation."

Not only did Alessandro and the family members need to change minds. They also needed to consider the company's operations and workforce, particularly the skills and resources ERG would require.

## The solution

ERG transformed into a sustainable energy business in just 10 years, and now produces electricity solely from wind, sun and natural gas. Alessandro believes much of ERG's success boils down to strong relationships and treating everyone with respect. "There are many technicalities to consider when changing business direction," he said. "But we're a family business that believes deeply in treating people decently and respectfully. Only by engaging with everyone constructively and openly did we gain everyone's agreement to transform our business."

This spirit of respect and openness is part of Alessandro's family history and runs through everything the business does: "Our values make us stronger, and they've been fundamental in enabling us to change."

Rather than dive in at the deep end, the company initially dipped its toe in shallower waters. "To help us understand what we were getting into, we made some small investments in new sustainable business models," he says. "It enabled us to identify commonalities between the new business and our previous one. For example, we identified the skills our staff already had that they could apply in the new business. That reassured everyone."

Alessandro and his family were the driving force behind ERG's sustainable transformation. But he doesn't discount the value of external expertise: "External managers can function as mentors and facilitators during business transformation. They've been invaluable in areas like deciding where to focus and invest. It's also important to have strong governance processes, with experienced boards and independent directors acting strategically and swiftly in the best interests of the company."

Beyond the usual business formalities, for Alessandro, it's all about working hard, collaborating harmoniously, and keeping your eyes on the prize. "It's easy for a sustainable business to say it's doing good in the world," he said. "But I don't think it's enough. It also involves looking after your people, taking care of your community, and respecting everyone you work with. Those are our values. Our business might have changed, but our values never will."

# The butterfly effect

How VebeGo is measuring and magnifying its impact



## Ton Goedmakers

**Company:** VebeGo  
**Title:** CEO  
**Industry:** Facility management  
**Founded:** 1943  
**Family generation:** Third  
**Turnover in 2019:** EUR 1,3 billion

## 4 big takeaways

Stay true to your values



The founder of VebeGo was passionate about being an active, caring member of society. Those values drive VebeGo to this day. So cherish the principles that guide your family. They're the glue that will unite everyone around shared goals for generations to come.

Communicate your results



If you're making a difference – and you can prove it – don't keep it to yourself. Your customers, employees and family members will want to know about it. And spreading the word can encourage younger family members to get involved.

Measure your impact



It's important to shout about your company's work and impact, both inside and outside your business. But it's just as important to back it all up with facts and figures. Quantifying your results will make everything more tangible for people, and motivate others to get involved.

Seek expert support



Quantifying intangible benefits like better lives and communities requires specialist skills. So focus on what you do best and call on the experts for the rest. For example, VebeGo is working with the Impact Institute for help measuring its impact.



*“It's like the butterfly effect, where one small change leads to a massive impact. Someone sitting on a train will have a positive experience. And as they get off, they'll pass that positivity on to other people. The impact can be huge. And I think it starts with us.”*

## Background

Meaningful work for everyone. That's the goal of Vebego: a leading human resource services provider, with clients across Belgium, Germany, the Netherlands and Switzerland. The company's mission reflects the values of its founder, Ton (Tonny) Goedmakers, who launched the company in 1943.

"We still run Vebego according to my grandfather's values, and I think this continuity is very important," said Ton. "Giving people meaningful work energizes and motivates them to achieve their potential. In turn, people gain a sense of pride and a positive outlook on life, which benefits their families and communities."

Ton and his team feel a duty to help unlock the potential in everyone: "Each employee has their own strengths. Our job is to nurture those strengths and give people every opportunity to achieve their goals."

This commitment to supporting employees runs through every thread of the business. By 2025, Vebego aims to positively impact the lives of 10 million people – every day.

## Challenges

But how could Vebego prove it was truly making a difference, and not just talking about it? How could the company measure the results of giving people meaningful work? And how might the business attach a tangible value to its efforts?

"We're intrinsically motivated and driven to do good. That's very important. But we needed to measure what we do, and to attach a value to it. Because it would make our work more tangible and meaningful for people – and motivate others to get involved."

Measuring impact was only half the story. The team also needed to communicate it: "We weren't telling anyone about our work. But our clients wanted to know about it. So did the younger generations in our family. In the last three years, the family has transitioned from the second to third generation. We needed to communicate our values and activities to motivate family members."

## The solution

Ton and his team reached out to industry experts, asking for advice on the best ways to measure impact: "If different companies came back to us suggesting the same approach, we felt that approach would probably be correct."

From there, the team contacted the Impact Institute, which helps organizations measure, report and manage their impact: "We know all about financials, such as how much money we've made by the end of the year. But the Impact Institute is helping us measure the social returns of our work."

How is Vebego coping with the challenge of engaging younger generations? "We've communicated our vision and values clearly. They've been written down in family statements for years. But now we're telling that story."

While Vebego works on measuring its impact, the company will keep doing what it does best: making a positive difference: "It's about more than providing meaningful jobs. As a service provider, we also create nice environments. It's like the butterfly effect, where one small change leads to a bigger impact. Someone sitting on a train will have a positive experience. As they get off, they'll pass that positivity on to other people. The impact can be huge. And I think it starts with us."

# The power of good

Why Delta Electronics practices what it preaches



## Yancey Hai

<b>Company:</b>	Delta Electronics
<b>Title:</b>	Chairman
<b>Industry:</b>	Electronics, automation and infrastructure
<b>Founded:</b>	1971
<b>Family generation:</b>	First
<b>Turnover in 2020:</b>	EUR 8,320 million

## 4 big takeaways

Be true to  
your words



It's not enough to talk about sustainability and give money to good causes. Businesses also need to prove their commitment to saving the planet in everything they do – including their operations, products, solutions and partnerships.

Measure  
everything



To prove you're making an impact, you'll need to measure it. Make sure you have the measurement processes in place to reveal the "before and after" picture. This evidence will prove your efforts are good for your customers, business and the planet, and will help change the minds of doubters.

Work with  
your suppliers



A company's sustainability should embrace the partners and suppliers it works with. Let them know the sustainability standards you expect from them – and that meeting those standards is a requirement for continuing the partnership.

Establish strong  
governance



You'll need strong governance and processes to make sure your company's stays true to its sustainability goals. Good leaders and procedures will keep you on track, whoever might lead the business in the future.



*"A lot of people think sustainability is a waste of money. We needed to prove that saving money means making money."*

## Background

Delta Electronics is a leading provider of clean power and thermal management solutions. The business wanted to do more than help protect the planet through its products. It also wanted to help shape a “better tomorrow” by reducing environmental harm throughout its operations.

“Doing good is about more than having a charitable foundation that donates to good causes,” said Yancey. “It’s about having an energy-efficient mindset ingrained throughout the company’s processes, products and solutions.”

## Challenges

Delta Electronics knew that operating more efficiently wouldn’t just benefit the environment – it would also benefit the business and its customers. But how could it prove it?

“When you talk about the environment and green energy, some think you’re just a tree-hugger. A lot of people think sustainability is a waste of money. We needed to prove that saving money means making money. Efficiency is good for consumers because it saves them money. And it’s good for the environment because it means using less energy.”

## The solution

The company got to work retrofitting its premises in Taipei, implementing energy-efficiency solutions across its operations. The result? Reduced electricity consumption of 1.2 million kilowatt/ hours, saving the company about USD \$120,000 every year. Savings of this scale meant Delta Electronics would get a return on its retrofitting investment in just a few years.

To rally support for retrofitting the buildings, the company needed evidence: “It’s about creating a change in mentality. To do that, you must prove you’re doing good – through measurement. For example, we needed to know where we were consuming the most electricity in our buildings. We installed meters and sensors on every floor and component of our premises.” This approach told the company exactly how much energy it was using, and where it should focus its efficiency efforts.

Today, Delta Electronics works with its suppliers to make sure they’re operating as sustainably as possible. To work with the company, suppliers need to prove they’re following strict measures: “We’ve implemented standards on sustainability measures, such as energy and water consumption, and waste management.”

A strong governance structure is at the heart of Delta Electronics’ sustainability. In the past, Bruce C.H. Cheng – the company’s founder and current honorary chairman – pushed for cleaner solutions. But now, the company has the processes it needs to stay true to its vision: “The first generation of the family is still involved in the business. But we now have a governance structure and systems in place that will ensure our efforts continue, even when the founder steps down.”

# Rewriting the rulebook

Why Roche wants a revolution in how businesses define success



## André Hoffmann

**Company:** Roche  
**Title:** Vice Chairman  
**Industry:** Healthcare  
**Founded:** 1896  
**Family generation:** Fourth  
**Turnover in 2019:** EUR 55.1 billion

## 4 big takeaways

Define and pursue your purpose



There's more to life than money. Living happily and prosperously means respecting everyone and everything on the planet. But before a business can start doing good, it first needs to define its purpose. Then the business needs to focus all its efforts and activities on pursuing it.

Work out your metrics



Businesses need a new system of measuring and accounting – one that looks beyond profits and captures every positive action. This will help focus businesses on the issues at stake – and ensure the business stays true to its purpose. If your business has experience measuring impact, why not help find a solution? Put your brightest minds on the case. Collaborate with others. And who knows? You might be the key to a world where businesses value and reward doing good.

Go further than philanthropy



The philanthropic activities of family businesses make a big difference. But try not to make them your sole focus. Put your business at the heart of your sustainability efforts. Philanthropy is about spending money the right way, but your business should also be making money the right way – sustainably.

Benefit the many, not the few



Every day, new technologies and innovations seem to arrive on the scene, offering exciting opportunities to change the world. But we shouldn't let these advances create more inequality, making a few wealthy, while leaving others to struggle. If you're in the business of innovating, try to ensure your strategies benefit all your stakeholders – including people and the planet – and not just shareholders.



## Background

Founded in 1896, Roche is the largest pharmaceutical company in the world. Its purpose is 'doing now what patients need next' – urgently delivering medical solutions to transform patients' lives.

André believes businesses need a purpose before they can start doing good. "Irrespective of whether or not it's a family business, every business needs a purpose," he said. "And it needs to pursue this purpose in a way that respects all stakeholders, not just shareholders."

Roche's purpose defines everything André does in the business: "As a family owner I define my duty as helping the business serve its purpose. It's not to increase the dividend nor to give me access to the company. It's to help the business execute its mission."

## Challenges

André feels that, currently, the biggest barriers to becoming a sustainable business involve metrics – measuring the wrong things in the wrong ways.

"We need to change how we measure impact. We measure profit. But profit is just a concept and a system we've invented to define success. If we only measure money, we're only capturing a fraction of human activity. We're missing all the unpaid positive work we do, like running clubs and caring for our children. These activities are the essence of our social fabric. But no one's measuring them."

Right now, solutions seem to be in short supply: "Currently, there are around 160 different standards for measuring impact. Companies don't know which to follow and how to satisfy them. They're clamoring for a metrics system they can implement today."

## The solution

Roche has decided to measure and report on different forms of capital. So alongside its financial capital, the company also accounts for its environmental and social capital. For André, it's all about moving away from just equating success with profit.

"To create a long-term stable society, we're going to have to address issues in ways that go far beyond supporting causes. Businesses have an opportunity to restore the environmental damage of the last 150 years. But it will require some heavy lifting."

André recommends that family businesses look beyond philanthropy to ensure their businesses are 100% sustainable: "The problems of humanity's impact on the planet are much bigger than philanthropy can ever address by itself," he said. "It's more about how the business makes money than how it spends it."

While challenges remain on measuring and accounting for impact, André is positive for the future: "We need to use science and new technologies for the benefit of the many – and not just to provide profits for the few. If we really want a better world, we're going to have to use all the new tools at our disposal."

"We need to change how we measure impact. We measure profit. But profit is just a concept and a system we've invented to define success. If we only measure money, we're only capturing a fraction of human activity. We're missing all the unpaid positive work we do, like running clubs and caring for our children. These activities are the essence of our social fabric. But no one's measuring them."

# Staying grounded

Why Banyan Tree Group puts people before profit



## Ho Ren Yung

Company:	Banyan Tree Group
Title:	Senior Vice President & Brand HQ
Industry:	Luxury hotels and resorts
Founded:	1983
Family generation:	Third & Second
Turnover in 2019:	EUR 100.97 million

## 4 big takeaways

Treasure  
your people



In difficult times, reducing staff numbers can seem like an unavoidable way to cut costs. But if there's a glimmer of hope you can keep your people, grasp it. It's not just the right thing to do – it might also be the sensible thing to do. Because employees are a vital resource. Lose them, and you lose the people who will look after your customers – plus everything you've invested in them, like training.

Protect your  
balance sheet



COVID-19 proved nothing's certain in life. But just because you can't predict everything doesn't mean you shouldn't protect your business. Your business finances are a good place to start. Look into possible financial solutions to protect your business and people over the long term. You'll have peace of mind knowing you've done all you can to look after your company. But it's a complex area, so it's worth seeking advice from financial experts.

Do the  
right thing



The world is putting sustainability first. Global populations are demanding companies minimize their environmental harm, and do more to protect the planet. Businesses must change, or their customers will walk away. But if you prove you're doing all you can to evolve, your customers and employees are more likely to stay loyal to your business.

Invest for good



It's a myth that you can't seek returns and change the world with sustainable investing. In fact, returns can be comparable to those from conventional investments. And with companies and funds increasingly reporting on their impact, it's easier than ever to assess the investments you might like to include in your family's investment portfolio.



**“We're here to stay and we're here for the long term, to weather crises and global events for multiple decades.”**

Ho Ren Rua

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## Ho Ren Hua

**Company:** Thai Wah Public  
**Title:** CEO  
**Industry:** Agriculture and food business  
**Founded:** 1947  
**Family generation:** Third & Second  
**Turnover in 2019:** EUR 202,724 million

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## Ho Ren Chun

**Company:** Family Office  
**Title:** Principal  
**Industry:** Investment management  
**Family generation:** Third & Second

### Background

As the next generation at the head of their family business, Ho Ren Hua, Ho Ren Yung, and Ho Ren Chun have been deeply influenced by the ethos and spirit of being here for the long-term imbued at the foundation of the business. Over the years, the business has grown used to battling adversity. "As a family business, we've been through three different crises: the 2004 tsunami, 2008 financial crisis, and the COVID-19 pandemic," said Ho Ren Hua. "We're here to stay and we're here for the long term, to weather crises and global events for multiple decades."

They carry on this legacy with a renewed sense of commitment across all 3 platforms of the business entities – Banyan Tree Group, Thai Wah, and the Family Office. "We are very aligned in our sense of what the culture and values are, no matter the platform. And I think it comes from our worldview of the role of business in society as a change agent," said Ho Ren Yung.

All the decisions, be they about capital investments, the agri-food business, or the hospitality business are taken with the same endeavors and this mindset of being members of society. From this perspective, the COVID crisis was an opportunity for the three siblings to sit together and think through what is important to them and the platforms. It materialized in the form of a family constitution setting out principles and values to draw decision making mechanisms and the ideas to guide future actions. "For our generation it is meant to guide how we see property, family projects, and allocating resources in the future," said Ho Ren Chun.

### Challenges

With the world soon to go into lockdown, Banyan Tree Group was adamant it would retain its employees and, in turn, secure people's livelihoods. But how would the business navigate its way through the inevitable costs of keeping employees on its books throughout a global pandemic?

### The Solution

To enable the business to keep running and employing people, the management team got straight to work protecting its finances. The result? Banyan Tree Group could retain its staff and continue paying people their wages.

"Whether it's about refinancing or restructuring debt, we'll always try to do the right thing in a crisis," explained Ho Ren Rua. "We've future-proofed the balance sheet, which will enable us to take care of our people and business for the long term."

Amid the tragedy and turmoil of the pandemic, the break in business freed the team to consider strengthening its sustainable investments such as climate mitigation, healthcare, and clean energy. "We work on our brands development and what will be important in 5-10 years, and not just the near future priorities because we have invested in a stewardship of the future," said Ho Ren Yung.

Ho Ren Chun is confident that investing sustainably won't harm returns: "We can build our family's public markets portfolio to a decent size and get decent returns. At the same time, we're investing in things we believe in."

# Just keep going

Why one man pushed relentlessly for sustainability at Barry Callebaut



## Andreas Jacobs

<b>Company:</b>	Barry Callebaut
<b>Title:</b>	Former Chairman of the Board
<b>Industry:</b>	Chocolate and cocoa products
<b>Founded:</b>	1996
<b>Family generation:</b>	Fourth
<b>Turnover in 2020:</b>	EUR 6,520 million

## 4 big takeaways

Never back down



Don't be disheartened if you don't succeed straightaway in convincing everyone to create a purposeful sustainable business. Stay strong, stick to your message, and you'll slowly chip away at resistance. Eventually, everyone will realize you mean business, and understand why the company needs to change.

Show the issues first hand



Witnessing people's challenges in person is always more powerful than not that hearing or reading about them. First-hand encounters ignite empathy. This means managers won't just put the company's resources to work on a problem. They'll put their hearts and souls into it too.

Collaborate for a bigger impact



Competitors aren't the enemy. They're businesses made up of people who, like you, want to do good in the world. To really make a difference, create a sustainable industry and drive change, consider joining forces with other companies. You'll achieve more together than would ever be possible alone.

Find the right business model



Talking about the need to change will only take you so far. To get buy-in from management, at some point, you'll need to present a strong business case for change, which makes sense from a financial perspective. That's especially true if there aren't many other obvious reasons for becoming more sustainable and impactful.



*"I think I was only able to push the company to get there because we were key shareholders and I was chairman. Without that family influence, we probably wouldn't have approved such projects."*

## Background

Barry Callebaut is a world-leading manufacturer of high-quality chocolate and cocoa products. The business aims to generate sustainable earnings over time and secure long-term value for all stakeholders.

But back in the early 2000s, sustainability wasn't at the top of the company's agenda. "Only 1.5% to 2% of our products were from sustainable sources," said Andreas. "We didn't even know where the ingredients came from."

That was all about to change. In 2016, the company launched a project entitled "Forever Chocolate", which committed Barry Callebaut to making sustainable chocolate the norm by 2025. The project aims to lift cocoa farmers out of poverty, eradicate child labour from the supply chain, reduce carbon emissions, protect forests and use 100% sustainable ingredients.

## Challenges

As a business-to-business company, Barry Callebaut's margins are relatively small. And during Andreas' early efforts to make the business sustainable, there was little customer demand for sustainable chocolate. He faced an uphill battle to change minds: "Back then, management always said, nobody wants to buy sustainable cocoa beans."

Unfortunately, that was an inarguable fact: "Fifteen years ago, the demand for sustainable chocolate just wasn't there."

Costs were also a hurdle: "Sustainable cocoa beans cost 20% more than traditional sources. So lacking consumer demand, I needed to find a business model that would compel our company to change."

Andreas' sheer determination and perseverance won the business around. From the start, he never backed down from trying to change the company's culture.

"Between 2004 and 2010, I was invited to do a lot of speeches. I decided to do them all on sustainability. It was seen as a 'cuckoo' uncharted area. But by constantly pushing from the top, people eventually realized I really meant it."

## The Solution

Andreas also took his board on trips to West Africa, Brazil and Malaysia to witness issues firsthand, such as poverty in the supply chain: "I think I was only able to push the company to get there because we were key shareholders and I was chairman. Without that family influence, we probably wouldn't have come so far."

The company knew it couldn't achieve its sustainability goals in isolation. Only by working with other key players would the business turn things around: "The chocolate industry is very small. There are only about eight players in our sector. We said we need to collaborate and commit to certain levels of sustainability. Today, we're collaborating on many projects – and that's making a massive difference."

The collaborations sparked a new business model that helped change Barry Callebaut for good: "We set up an industry foundation where the 20% extra cost for customers goes directly and entirely towards supporting cocoa bean farmers. That was a key moment – finding the right business model to shift our strategy."

# No secret ingredients

How Maple Leaf Foods gets things done for good



## Michael McCain

<b>Company:</b>	Maple Leaf Foods
<b>Title:</b>	President and CEO
<b>Industry:</b>	Food and protein
<b>Founded:</b>	1991
<b>Family generation:</b>	Second
<b>Turnover in 2019:</b>	EUR 2,752.67 million

## 4 big takeaways

Be part  
of the solution



If you spot sustainability problems in your business – from activities that harm the environment to practices that disadvantage your workforce – don't ignore them. None of us live in a perfect world and neither do businesses. But a company wields power. And as part of society, it has a responsibility to use that power to solve problems.

Welcome  
criticism



Humans are hard-wired to want to flee or fight when criticized. But in business, it's better to embrace criticism than ignore or attack it. Very often, your critics (as long as they're constructive) will have good ideas on how to improve. And even if the criticism isn't constructive, it might still shine a spotlight on areas where you could do better.

Involve your  
people



When inspiration strikes, it's tempting to run with your idea and not involve others in your plans. But take a step back. You'll need to take other important people on your journey – most of all, your employees. So engage with them. Share your values. Invite their opinions. You'll gain their support – and some great ideas along the way.

Try to satisfy all  
your stakeholders



If your company has shareholders, you'll need to satisfy them. But make sure it's not to the detriment of other stakeholders, like your customers and employees. Balancing stakeholders' needs can be tricky. But with careful judgement and transparent metrics, you'll find a way through – and be able to prove why your chosen route makes sense.



**"It's not enough for businesses to talk about sustainability. Figuring out what to do is the easy part. But actually getting it done – that's where the real work starts."**

## Background

Maple Leaf Foods is a leading consumer food company based in Canada. The business has one clear goal – to be the most sustainable protein company in the world.

In an industry traditionally known for using artificial ingredients and administering antibiotics to livestock, Maple Leaf Foods decided to be a leader in the “real food movement.” Today, the company raises animals humanely, uses real ingredients, and eliminates artificial colors, flavors and antibiotics from its products. The business was also the world’s first large-scale food company to achieve carbon-neutral status.

## Challenges

Michael acknowledges that Maple Leaf Foods belongs to an industry lacking a great track record on sustainability. “The industry’s climate and animal welfare footprint have traditionally been negative,” he said. “We wanted to fix those things.”

After acquiring the business in 1995 from a private equity firm, Michael’s family spent twenty years trying to turn Maple Leaf Foods’ fortunes around: “The company was in dire need of a complete overhaul, strategically and operationally. In 2015, we looked in the mirror and asked ourselves, how we do shift from fixing our business to growing it? And why are we doing what we do?”

Around this time of introspection, Michael attended a lunch discussion at Davos in Switzerland – and found himself sitting alongside several activists: “Their goal was to eliminate the animal-protein industry by 2035.”

As the owner of an animal-protein business, Michael sat up and took notice: “I had a choice – to defend what we’ve done or to embrace the criticism.”

## The solution

Michael’s experience in Davos crystallized thoughts he’d been thinking for a while. His mind was made up – the company would be part of the solution, not the problem.

“Our business exists to serve the needs of all stakeholders, not just shareholders. So we chose a path of not eliminating animal protein, but fixing the problems in our industry. We chose to embrace sustainable values that benefit all stakeholders, based on the ideal of raising good food. And we established a vision to become the most sustainable protein company on earth. That’s inspired our people and customers, and reinvigorated top-line growth.”

To balance sharing value across all its stakeholders, Maple Leaf Foods obsesses over metrics: “It’s challenging. But to make sure we’re doing it the right way, we measure everything. We identify the metrics each stakeholder needs and measure how we’re adding value for them.”

This same attention to detail applies to the company’s employees: “Our culture is very action oriented. And debating is kind of a company sport for us. We’re very open to criticism. Nobody has proprietary ownership of judgment. So we’re transparent about the imperfections on our journey to sustainability – but we’re simultaneously proud of our progress.”

For Michael, it all boils down to acting, not talking: “It’s not enough for businesses to talk about sustainability. Figuring out what to do is the easy part. But actually getting it done – that’s where the real work starts.”

# A cause close to the family's heart

Why 1-800-Flowers.com displays its philanthropy to the world



Jim McCann

<b>Company:</b>	1-800-Flowers.com
<b>Title:</b>	Founder and Chairman
<b>Industry:</b>	Retail – florals and gifts
<b>Founded:</b>	1976
<b>Family generation:</b>	First
<b>Turnover in 2019:</b>	EUR 1,270 million

## 4 big takeaways

Choose a cause close to your heart



If an issue resonates strongly with you and your family, consider making it your philanthropic passion. Because if it means something to you emotionally, you're more likely to do all you can to make the biggest-possible difference.

Shout it from the rooftops



Don't hide your philanthropy away. Get the word out to the world. You'll get back much more than you expected like a stronger brand and culture, loyal customers and new connections. And all will combine to unlock new opportunities for your philanthropy and business.

Call on the experts



However good you are in your role, no one can possibly be an expert at everything. So when setting up your philanthropy, don't be afraid to reach out to people who have done it before and know how to make it work. You'll find people are more than willing to help.

Unite the family



Setting up a philanthropic organization can be the glue that keeps your family together. Gathering everyone around a cause is a great way to share values and unify the family across generations.



*"What's really changed is our perception of what our community and customers want and expect from us."*

## Background

1-800-Flowers.com is a U.S. floral and foods gift retailer and distribution company with a clear mission – to “deliver smiles.” While the company is publicly owned and traded, it’s still very family focused. In 2014, the business acquired food and gift producer and retailer, Harry & David.

Harry & David ran a not-for-profit foundation that helped agricultural workers in the community. Its work inspired Jim McCann and his brother, Chris, to do something similar. “Harry & David staff volunteer their time, and we were amazed at the wonderful things they do,” said Jim. “We wanted to put our time, talent and energy into a charity that’s special and important to us.”

But which cause would they choose? “Our brother, Kevin, was born with developmental disabilities and, at that time, there was very little support. He now lives in a wonderful group home, run by Independent Group Home Living (IGHL), a Long Island based organization. Its executive director, Walter Stockton, told us about the trouble many developmentally disabled people have finding jobs.”

That was the eureka moment. The McCann family would set up a philanthropic organization to support, train and employ people like their brother, Kevin.

## Challenges

Jim and his family had never set up anything like this before. But help was at hand. IGHL, partner agencies and volunteers rallied round to get the initiative off the ground – and ‘Smile Farms’ launched in 2015.

In the early days, 1-800-Flowers.com wasn’t sure how public it should be about Smile Farms, and why it was so close to the family’s heart. Should they shout about the project from the rooftops? Or let it run quietly behind the scenes?

## The solution

Over time, 1-800-Flowers.com warmed to the idea of putting Smile Farms and the family’s commitments to the fore: “What’s really changed is our perception of what our community and customers want and expect from us. So we presented our work to the public.”

Going public ignited more opportunities than the business could have imagined. New partners and backers got in touch, sparking new projects. And a stronger culture of good and loyalty blossomed among customers and staff: “I wish we’d been more open earlier about our commitments. We didn’t realize the benefits that would come from this.”

Smile Farms enjoys the support of experts who help bring its mission to life: “We work with around ten partner agencies. They’ve provided the expertise we needed to design and launch a new training program for our people.”

Today, Smile Farms has grown to ten campuses, offering employment, training and education to 250 people with developmental disabilities. And it’s brought the family closer together: “It’s been a glue. The next generation is very involved, and we’ve been able to share our values, and appreciate the importance of staying connected.”

# Go with your gut

How Julie Smolyansky took the reins and changed a business culture



## Julie Smolyansky

<b>Company:</b>	Lifeway Foods
<b>Title:</b>	President and CEO
<b>Industry:</b>	Food and dairy
<b>Founded:</b>	1986
<b>Family generation:</b>	Second
<b>Turnover in 2019:</b>	EUR 88.02 million

## 4 big takeaways

Find your voice



Confidence and courage are two key ingredients in finding your voice. Be brave about speaking out and saying what needs to be said. It may not happen overnight. But in time, you'll grow into those shoes, and gain the authority you need to inspire and lead your business.

Value your values



Never underestimate the power of your family's values. They're the fuel that first propelled your family business to success. So take time to consider the ethics and vision of your family's first generation. Remember the advice and experiences that shaped you. And find ways to bring those lessons to bear in your leadership style.

Lead strategically



Families and businesses can be complex. There are many diverse cultures to consider, opinions to weigh and financial interests to balance. So lead strategically, wisely and diplomatically. But remember, there may be times you'll need to step up and speak out about the things you believe in.

Prepare a succession plan



How would your business cope if a leader retired or passed away? Who could step into their shoes? And how can you ensure everything transfers smoothly? That's where a succession plan comes in, detailing your goals and strategy for putting your business in the hands of new leaders.



*"The time is now for business leaders like me to speak up, lead and scale our values."*

## Background

Lifeway Foods is a leading US producer of kefir and other probiotic foods. The company is passionate about promoting people's physical and mental health, and protecting the environment. "My father founded the business in 1986," said Julie. "As a family, we were immigrants to the United States from the former Soviet Union."

From those early days, Julie's father taught her strong morals and values: "He was an inspiration – entrepreneurial and powerful. So was my mother, but she also had a strong feminine spirit."

Julie joined the growing company in the late 1990s: "I worked side by side with my father for about five years, until he had a sudden heart attack at the age of 55 – the prime of his life. One day he was there, then a few minutes later, he was gone."

## Challenges

Overnight, Julie – aged just 27 – took the reins of the business. Immediately, the weight of the company's responsibilities fell on her shoulders. She needed to find her voice, navigate complex dynamics, reinforce the company's values and convince investors the business was in safe hands.

"One of the biggest challenges has been finding my own voice as a leader, and being able to speak truthfully about things that are really important. I think that, especially for women, there are challenges associated with speaking up. I still have to fight cultural biases every day. There's a lot to navigate and it isn't always easy."

## The solution

For Julie, two big ingredients have gone into becoming a successful leader: confidence and courage: "It's taken bravery on my side. I've spent years working on finding my own voice. Navigating business and family dynamics requires a lot of effort and strategizing. The time is now for business leaders, like me, to speak up, lead and scale our values."

Julie also feels compelled to empower women leaders and create inclusive working environments. And not just because it's the decent thing to do: "Research shows that businesses with women in the boardrooms are more profitable. They just do better."

Having experienced the pressure of instant leadership, Julie believes there's another vital ingredient for family businesses: "Investors need to know a business will continue successfully when the founder isn't around anymore. So, it's important to have a succession plan that empowers the next generation to lead."

# The ideas factory

Why MAS Holdings gives its people the freedom to innovate

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## Sid Amalean

**Company:** MAS Holdings  
**Title:** Head of Sustainable Business  
**Industry:** Textile manufacturing  
**Founded:** 1987  
**Turnover in 2019:** EUR 1,700 million

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## Amanthi Perera

**Company:** MAS Holdings  
**Title:** Head of Social Sustainability, MAS Holdings

## 4 big takeaways

Encourage new ideas



Teams deliver a company's services and activities every day. This means they're often best-placed to devise better ways of working. So give your employees the freedom to innovate and suggest new ideas. But make sure they have nothing to fear should projects not go to plan; if not, you will stifle their creativity and desire to contribute.

Make it happen



Don't let great ideas go to waste. If someone suggests a new approach that's good for the business and the planet, turn the idea into a project – and give it the resources and leadership it needs to blossom.

Set up a system



If your organization is large and complex, it's wise to establish a system for cataloguing and assessing new ideas, and tracking their progress towards goals. Without robust processes, good ideas might be overlooked, fall through the cracks, or lack the support needed to fulfil their potential.

Stay in touch



While systems, processes and technologies are essential for progressing ideas, never underestimate the power of human connection. Stay in touch with the stakeholders involved in every project, and give them the opportunity to gather, discuss progress and suggest improvements. Constructive conversations go a very long way.



“It's about having the courage to face challenges head on and to do what it takes to create meaningful change – that's what drives us at MAS”

## Background

Three brothers launched MAS Holdings in 1987. From the start, the siblings wanted to build a company that would be different from the negative perceptions that existed about the apparel industry. Their goal was to run an ethical textile business that treated people and the planet the right way – emphasizing trust, respect and collaborative partnerships: rare commodities in the sector during the 1980s.

Today, MAS Holdings' purpose is to be a "changemaker", enabling dreams and enriching the fabric of life on our planet. "It's about having the courage to face challenges head on and to do what it takes to create meaningful change – that's what drives us at MAS" said Sid.

The business has established a set of strong values, including "freedom with accountability." This value gives people the freedom to innovate and act on what they believe is right, and take responsibility for their work – but without fearing negative consequences should ideas fail.

## Challenges

With over 110,000 employees worldwide, keeping track of new ideas can be a daunting task. The business needed a structured system to monitor activities, measure progress and achieve its goals.

"There's a business rationale for everything we do. Everything we work on needs to have some kind of business impact as well as a positive effect on our people and planet. But for us, the challenge of managing everything relates to the size of our organization. How can we communicate and rollout our new ideas, seek agreement from stakeholders, and get the best out of our people?"

## The solution

MAS Holdings has created a culture that nurtures new ideas and provided the resources and leaders needed to bring those ideas to life. And to encourage innovation, the business has introduced programs that make it easier for employees to share ideas with managers.

The company also has measurement systems and targets for its programs, helping the business chart its progress, stay on track and rate its own performance. The backbone to the company's operations is the MAS Operating System. Since launching over a decade ago, the system has expanded from focusing on manufacturing to cover every area of the company's operations. The system also empowers employees to find better ways of working and build sustainability into the company's processes.

Beyond technology, good old-fashioned meetings still play an important role: "We gather our senior people together to discuss initiatives and progress. We also have created opportunities and spaces that enable everyone to connect, collaborate and share ideas."

# Appendix

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# About UBS and INSEAD

## UBS

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.

So how can your family and business do that? 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 lasts 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. In fact, with every activity aligned toward the same goal, you might achieve more than you ever thought possible.

## INSEAD

INSEAD is among the world's leading and largest graduate business schools. The collaboration with UBS on

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With locations in Europe (France), Asia (Singapore), the Middle East (Abu Dhabi) and North America (San Francisco), and alliances with top institutions, INSEAD's business education and research spans the globe. INSEAD's award-winning faculty from 41 countries excels in developing research that inspires, supports and challenges business leaders across industries. Its research and teaching contribute to INSEAD's vision of making business a force for good.

## Thank you...

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## Publication details

### **UBS authors**

Matthew Carter  
Sophie Eisenmann  
James Jack  
Grégorie Muhr  
Alexander Pirkebner  
Alvin Seo  
Susan Sy

### **Editors**

Steve Tilling  
Noël Merino Witschi

### **UBS contributors**

Michael Baldinger  
Sabrina Cohen  
Elizabeth Cribbs  
Gillian Dexter  
Paul Donovan  
Tom Hall  
Arifah Haque  
Eric Landolt  
Marianne Leborne  
Christian Leitz  
Lisa Michel  
Vishakha Rajput  
Mike Ryan  
Pietro Schonmann  
Michaela Seimen  
Josef Stadler  
Isabella Tramontana  
Ellen Yip

### **INSEAD**

Morten Bennedsen  
Katell Le Goulven  
Sonia Tatar  
François-Lucien Vulliermet

### **Designer**

Samantha Speechley



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