

# A road well-traveled

How family businesses are guiding  
the sustainability journey

April 2023

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# Foreword

In 1993, John Elkington coined the term ‘triple bottom line’. He described it as a system change, and one that would lead to the transformation of capitalism. It encouraged companies to stop concentrating solely on their profits and to include goals in their business strategies for improving the lives of people and the health of the planet. At the time, the notion of ‘creating shared value’ was a radical new way for companies to think about their business objectives and performance.

It also marked the beginning of the decline of shareholder capitalism and the rise of stakeholder capitalism. The expectation was that companies would serve society as a whole — not only their owners and shareholders.

Fast forward 30 years.

Stakeholder capitalism has gone mainstream with the rise of the sustainability agenda. It is top-of-mind across the business world in every sector. The principles of shared value are at its core, but there is one important difference that’s rising quickly in today’s environment — and that’s the need for urgent action.

The pandemic made sustainability even more relevant. It increased the need for business families to protect their businesses by examining the efficiency of their operating practices and by building deeper and stronger relationships with their communities and their employees. In many ways, sustainability is becoming a basis for a license to operate.

Organizations of every type are being challenged on the role they play and the impact they’re having on the world around them. Many governments are pushing companies to proceed with haste, offering incentives to encourage actions that are climate-smart and contribute to long-term social equity and economic sustainability.

Customers are also demanding it, and they’re ready to follow (and be loyal to) companies that are able to demonstrate the positive impact that their businesses are having on people and the planet.

But no one can solve the world’s biggest environmental and societal issues alone. It requires innovative thinking, bold ideas and unique experiences from businesses and industries of every type and size.

Fortunately, for many family businesses, the road to sustainability is already one that is well-traveled. The fundamentals of shared value are familiar territory, and they’re woven throughout the family capitalism business model. While they may be taking a variety of routes and reaching new milestones at different stages of their journeys, the progress they have made so far should be instructive and an inspiration for organizations of every type.

This is why we believe that there is a once-in-a-lifetime opportunity for family businesses to take a leadership role in guiding others on their sustainability journeys.

**For many companies, their sustainability actions are already beginning to have an impact on their businesses. Those that have B Corp or other types of certification for their social and environmental progress are witnessing greater access to capital and better employee recruitment and retention.**

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## Following a proven path

To explore the various routes to sustainability that family businesses are taking, KPMG Private Enterprise and the STEP Project Global Consortium conducted personal interviews and led group discussions with family business leaders across the world. Their stories are insightful and practical and are supported by a detailed analysis of the

sustainability performance data from our previous global survey of 2,439 family business leaders.

We recognize that the road to sustainability is rarely a straight line. There are often twists and turns, small detours — even the occasional U-turns — along the way. This may be a long and winding road, but we believe the unique characteristics and experiences of family businesses offer an invaluable and practical guide for other leaders to follow on their own sustainability journeys.



**Andrea Calabrò**  
STEP Project Global Consortium  
Academic Director  
Director, IPAG Entrepreneurship &  
Family Business Center  
IPAG Business School



**Tom McGinness**  
Global Leader  
Family Business  
KPMG Private Enterprise  
KPMG International and  
Partner, KPMG in the UK

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# Executive summary

There is a widely adopted view of sustainability as ‘meeting the needs of the present without compromising the ability of future generations to meet their own needs’.

This is already a familiar concept among family businesses, many of which operate with a sense of duty to create and preserve a healthy, diverse and resilient world for their children and their grandchildren. For many, investing in sustainability and operating in a sustainable way is not only viewed as the ‘right thing to do’, but it’s also becoming an essential engine of their companies’ growth.

Sustainability conversations are high on the agenda across the world. Many of the discussions at the 2023 annual meeting of the World Economic Forum in Davos, for example, reflected a sense of urgency to accelerate sustainability progress across industries and geographies. For many, this is a response to ever-increasing stakeholder scrutiny and regulatory

reporting requirements. It requires good data, credible metrics and robust digital solutions, and it is making digitalization an important enabler to companies’ strategies as they transition to a more sustainable future.

Those companies that are able to anticipate and meet these rising environmental and societal expectations are also more likely to improve their reputations, attract and retain top talent and generate new business opportunities. Sustainability is now a business imperative, as much as it is a stewardship one, and those companies that fail to adapt may struggle to compete in a new, low-carbon world.

This is why family businesses may have a ‘first-mover advantage’ on the path to sustainability. The commitment to create value for all of their stakeholders has crossed a multitude of generations. It is deeply embedded in families’ values and woven throughout their business models.

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I truly believe that family businesses that successfully engage with all their stakeholders on this sustainability journey will not only survive but prosper. Those that don’t step up are likely going to be left behind. For me, the choice for companies may be precisely that binary!

Everyone is at a different stage, and there is no right or wrong way forward. But I also truly believe that family businesses have been living and prospering based on core sustainability principles across the generations, and there are many lessons that everyone can take away from their experiences.

**Tom McGinness**  
Global Leader, Family Business  
KPMG Private Enterprise  
KPMG International and  
Partner, KPMG in the UK

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# Family business success factors

43 percent of 2,439 family business survey respondents reported high levels of sustainability and digitalization based on eight key success factors:

- 1 Highly-structured governance
- 2 Active non-family member involvement
- 3 Dispersed family ownership
- 4 Increased number of female board members
- 5 Digitalization as a sustainability enabler
- 6 Charismatic or transformational leadership
- 7 Strong entrepreneurial mindset
- 8 Forward-looking orientation<sup>1</sup>

## Keeping the destination in mind

Some companies, especially smaller businesses, have concerns regarding the short-term economic feasibility and costs of sustainability. Nevertheless, many are beginning to take the first steps, with the rising expectations and encouragement of many different stakeholders.

The aspiration to leave a meaningful and lasting legacy has always been present. Family businesses recognize that adopting sustainability principles and practices is the only way forward to create the world they want for future generations.

In this environment family business leaders who contributed to our research typically describe three interconnected goals for maintaining the sustainability of their businesses while also contributing to a more sustainable world:

1. Maintaining the economic prosperity and long-term social, environmental and reputational sustainability **of their businesses** for the benefit of current and future generations
2. Integrating responsible environmental and social practices **in their businesses**
3. Taking a leadership role in supporting people and planet initiatives **outside the business** via philanthropic efforts such as charitable donations, grants distributed through family foundations and philanthropic investing in family offices.



Sustainability is a step-by-step journey, and it's important to have a clear idea of the overall direction of travel that the business and the family wants to follow. Institutions can play a critical role in making the journey easier by helping to set appropriate standards for society; by ensuring that regulations are not overly complex; and that businesses can act independently without having to rely on potentially costly expertise from outside their businesses.

**Alejandro Escribá-Esteve**  
Full Professor of Management  
Universitat de València



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<sup>1</sup>STEP Project Global Consortium & KPMG Private Enterprise, "The regenerative power of family businesses — transgenerational entrepreneurship", 2022.



## Making sustainability business as usual

With these three goals in mind, there are many potential routes along the sustainability journey to consider. The family business leaders who contributed their insights to this report provided a wealth of examples of the paths they've chosen in making sustainability central to what they now consider to be 'business as usual'. While their routes may differ, all have shared a passion and a sense of urgency to put sustainability at the top of their agendas and seize new opportunities to further strengthen their reputations and make their operations more efficient.

Opportunities don't come without challenges, however, and the primary concerns among family businesses are generally related to the increased cost of retrofitting their operations and the resources that are required to fulfill increasing regulatory and strategic requirements. New regulations often have more extensive data capabilities, and sustainability reporting will likely require additional IT resources and infrastructure for measuring, controlling and managing the environmental and social impact of companies' efforts.



For five generations, our family has operated with a clear purpose: to enrich the lives of our customers and our communities. That purpose has been driven by a strong culture of shared values. Together, our purpose and values have been the foundation of our business model and a 325-year history of sustainability. We are uncompromising in making sure that foundation continues to be unshakable.

**Jonathan Neame**

Chief Executive  
Shepherd Neame — The oldest and largest independent brewery in the UK



Despite the additional costs and resources that may be required, many family businesses have underscored the importance of shifting the thinking *away from* sustainability as an additional cost of doing business and *towards* an investment in the future. As with any investment, they have emphasized how any investment in sustainability must deliver impact and results *and* make economic sense in order for business leaders to be able stand up and sustain their actions over the long term.

Even though the sustainability journey often began with targeted plans to comply with regulations to reduce a company's carbon footprint or minimize waste, a major shift is already taking place towards a more strategic approach that integrates sustainability objectives in the long-term business strategy. As one family business leader emphasized, it isn't just about creating economic, environmental or social value, but also about creating family value for today's generation and for those to come.



**Managing sustainability in a regulatory environment**

There are many innovative ways of supporting sustainability in family businesses. Even though they're generally ahead of the game, government regulations can be a burden. Too much bureaucracy and red tape doesn't actually support the sustainability goals of family businesses. I believe these businesses need to make their voices heard by not only talking about their goals but the steps they're taking to achieve them.

**Dr. Daniel Mitrenga**

Executive Board Member  
DIE FAMILIENUNTERNEHMER & DIE JUNGEN UNTERNEHMER — Representing the economic and political interests of family businesses and young entrepreneurs



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# Key takeaway

The value of a sustainability focus can include:

**Financial capital benefits** due to increased customer attraction and retention

**Social capital benefits** by upholding a reputation for making the world a better place

**Human capital benefits** from attracting and retaining the best employees

**Cost reductions** from operating responsibly and using their own resources sustainably

**Access to limited sources of capital** by being more attractive to future business partners, investors and bankers

**Risk mitigation** through environmental and societal stewardship

## Seizing sustainability as a competitive advantage

Some family business leaders have emphasized how sustainability is already woven into the fabric of their company’s culture, making it a key factor in attracting and retaining top-performing employees. These are companies that have recognized that today’s younger generations are choosing to work only for companies that operate ethically and take good care of people and the planet. Increasingly, this is making many companies’ sustainability performance an important factor in winning the highly competitive war for talent.

Many family businesses have also recognized the commercial imperative of demonstrating the tangible impact of their sustainability priorities, which often make the difference in their successful bids to win new work and to attract and retain loyal customers.



Until recently, many family businesses have had a relatively informal approach to sustainability with a focus on doing what’s right for their employees, customers and communities. But now there’s greater recognition that their sustainability actions are actually potential differentiators with the power to create measurable competitive advantages.

Because many family businesses have operated as responsible, sustainable enterprises for generations, they have tended to be relatively quiet about their efforts and their impact. In today’s environment, I strongly encourage family businesses to be more vocal about what they are doing — and have been doing for many years (and often decades). Their genuine impact and bold ambitions have been well-earned and should be recognized.

**Alan Barr**

National KPMG Private Enterprise Leader  
Partner, KPMG in South Africa







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# Why the sustainability journey is a once-in-a-lifetime opportunity



## The growing sustainability agenda

Macroeconomic factors — inflation, rising interest rates, recessionary and competitive threats — are converging with never-before social changes. Many of these issues emerged alongside the pandemic.

Improving employee health, wellbeing and working conditions; increasing the access to safe food and water for people everywhere; mitigating human rights concerns and removing social inequities — all are revolutionizing and expanding the social and environmental sustainability agenda.

Much like the digital revolution, the sustainability revolution promises to transform the way the world thinks and acts. But also, much like the digital revolution, many companies are simply moving too slowly, taking an incremental approach to sustainability at a time when the world is demanding strong leadership and an accelerated pace towards a more sustainable future.

As the originator of the ‘triple bottom line’ remarked in a 2018 Harvard Business Review article, “*We need a new wave of triple bottom line innovation and deployment. The time has come to either step up or get out of the way to shift the sustainability needle.*”<sup>2</sup>

Family businesses have a rare opportunity in this environment, to step things up and help to lead sustainable and responsible business practices in the right direction.

Family businesses are in a position to guide others along the path to sustainability. They have a first-mover advantage if they choose to seize this leadership opportunity.

<sup>2</sup> “25 Years Ago, I Coined the Phrase ‘Triple Bottom Line’. Here’s Why It’s Time to Rethink It”, John Elkington. Harvard Business Review, June 25, 2018.

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## Operating with intent

The scope of the sustainability agenda is evolving rapidly, and it's important to keep its original intention in mind. The United Nations World Commission on Environment and Development, for example, defined sustainable development as: 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'.<sup>3</sup> Similarly, the University of California, Los Angeles (UCLA) Sustainability Committee's charter<sup>4</sup> describes sustainability as: 'the integration of environmental, social equity, health and economic vitality in order to create thriving, healthy, diverse and resilient communities for this generation and generations to come'.

Both of these definitions are relevant in today's sustainability environment. They share a fundamental underlying theme that's particularly relevant — and familiar — to family businesses because of their sense of duty to create and preserve a healthy, diverse and resilient world for their children and grandchildren.

The commitment to this ideal of generation-to-generation value creation is **not new** to family businesses. It's deeply embedded in the family's values and woven throughout their business model. **What is new**, is the opportunity for family businesses to play a larger societal role by using their long-term, multi-generational mindset as a roadmap to sustainability for others to follow.

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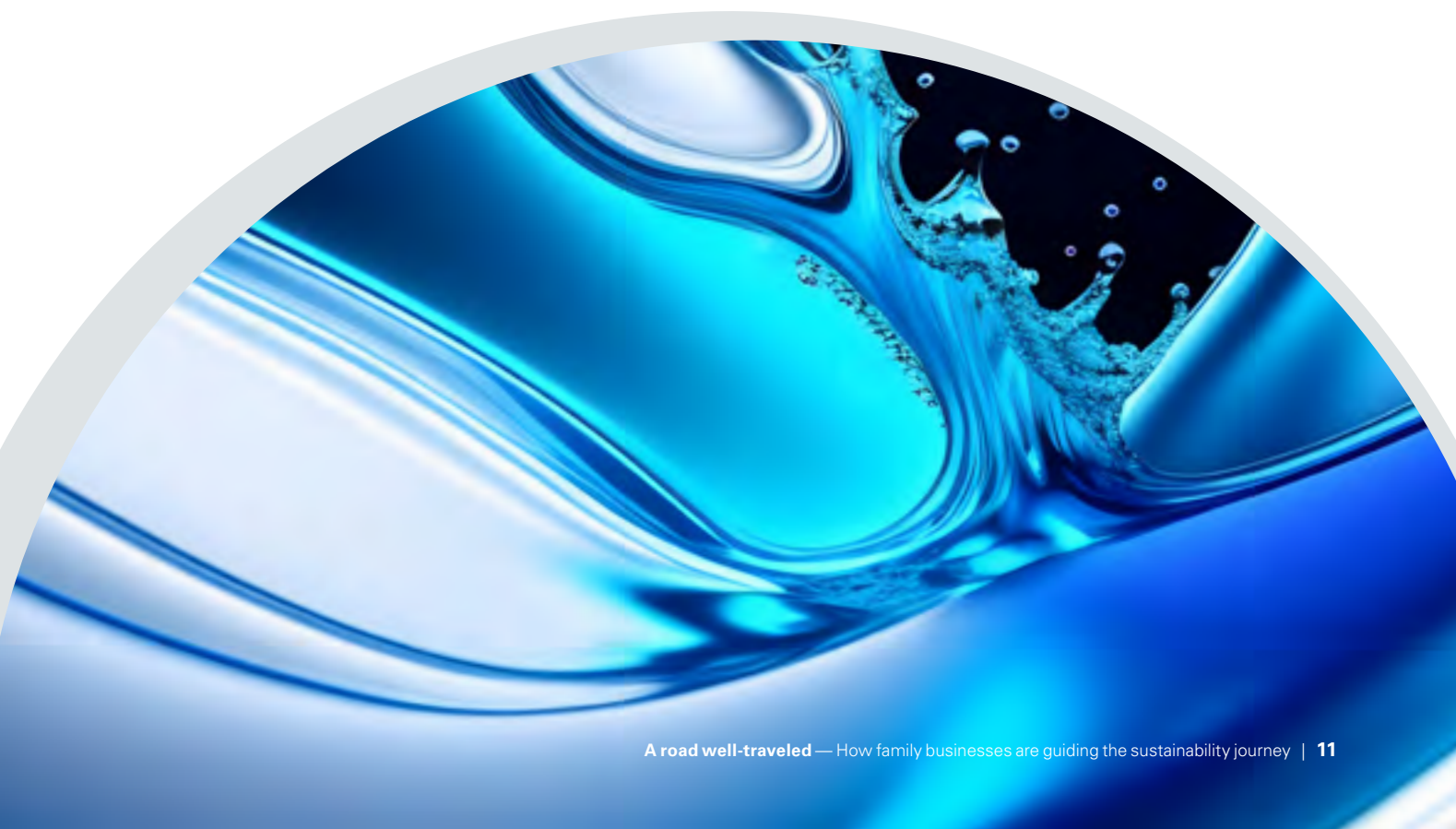
Can any business survive without being 'sustainable'? Certainly not family businesses whose underlying objectives implicitly seek to meet the needs of both the current generation and those in the future.

In my experience, the responsibilities of 'ownership' rest, not heavily, but proudly on the shoulders of family businesses. With changes in generational control and influence, the identity of the family with the business and a renewed sense of 'purpose' has required many to rethink how their business practices align with the family's values. Increasingly, these are 'shared' values — not limited to the family and the business but to its broader stakeholders. It is central to their position and reputation in their local communities.

**Robyn Langsford**  
Partner, KPMG Family Business & Private Clients  
KPMG Australia

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<sup>3</sup>WCED, 1987. *Our Common Future*. Oxford University Press, New York.  
<sup>4</sup>UCLA Sustainability, *What is Sustainability?* <https://www.sustain.ucla.edu/what-is-sustainability/>



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## Following a well-tested road to success

While sustainability is becoming one of the biggest considerations for most businesses today, it has historically been a relatively unconscious effort among family businesses. Driven to get the fundamentals right for ‘how they do business’, their focus has been on operating ethically and efficiently, delivering customer value, supporting community organizations and treating employees well.

For businesses of all types, there is a strong case to be made for embedding sustainability goals in the overall business strategy, and to achieve superior business results by doing the right things for all of the company’s stakeholders.

It reinforces the conviction that focusing on sustainability and strengthening the bottom line are not — and should not be — mutually exclusive. In fact, that combination is a commercial imperative for many companies, not only for family businesses.

As Thomas Martin, Non-Executive Chairman of Arco has remarked, “On the one hand, sustainability is about continuously looking for ways to operate more efficiently. But our sustainability strategy is also adding to our bottom line by becoming a differentiated element of our business. In a recent multi-million-pound tender, for example, the sustainability score accounted for 60 percent of the weighting for awarding the contract. In the past, price would have been the primary decision factor. But being able to present our sustainability

strategy and provide evidence of what we’re doing, where we’re going and how we’re going to get there was clearly an important and successful differentiator for winning the work.”

Increasingly, it’s becoming a differentiator for not only winning new business, but for attracting and keeping top-performing employees as well in a highly competitive talent market.



Family businesses are values-based. Each family does what’s authentic to them and what feels like the right thing to do. So, for our business and our family, reducing carbon emissions is very important, but sustainability is so much broader than just being green. We really want to make sure that we can pass a healthy business down through future generations. And when we talk about the ‘next generation’, we aren’t only concerned with the future generations of our family, but about creating value in the next generation of the business, for our employees and their families, our customers, patients and communities as well.

**Rupa Patel**

Executive Director

Day Lewis — A 47-year-old, second-generation pharmacy community with 300 employees in the UK and Europe





# Key takeaway

## Sustainability as a path to success

Sustainability is transforming the way the world thinks and acts. It requires strong leadership and an accelerated pace towards a more sustainable future.

Family businesses are well positioned to lead the path to sustainability because of their traditional sense of duty to create and preserve a healthy, diverse and resilient world for their children and grandchildren.

Focusing on sustainability and strengthening the bottom line are not mutually exclusive. Increasingly, they are becoming competitive differentiators for winning new business and attracting new customers and top-performing employees.

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Sustainability has always been the hallmark of successful businesses. It has been front and center among family businesses for a long time and for various reasons, including business growth, helping their customers to thrive and gaining a competitive advantage. And with the increasing involvement of next-generation family members, there is even greater impetus to continue investments on environmental, human and social capital improvements.

**Brad Sprong**

Partner  
National Tax Leader  
KPMG Private Enterprise  
KPMG in the US

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# Connecting the past, present and future



## Creating the world we want — for every generation

The pandemic has made sustainability even more relevant. Simply ‘doing the right thing’ as a responsible corporate citizen is no longer enough.

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In addition to developing three- and five-year business plans, we also plan for the generations that will follow, and we work diligently to leave them a better company. This is what has led us to make sustainability the centerpiece of our company’s purpose. We want to leave a more sustainable business and a better planet for future generations by helping to improve the environment, the economy and society as a whole. This is our central purpose. It makes sustainability more important than the purpose of growth — and it is embedded in our business to add value by providing sustainable services to our clients.

### Héctor Dominguis

Chief Executive Officer  
Grupo Dominguis Energy Services —  
A 90-year-old, third-generation energy markets industrial services leader in Spain with over 1,000 employees worldwide

”

## An integrated multi-dimensional business model

In the family business model, sustainability is a two-sided coin. The business strategy concentrates on decisions that have been made *in the past* to maintain the company’s competitiveness *today*, while the sustainability strategy is focused on decisions that are being made *today* for the company’s *future* competitiveness.

The main purpose of family business sustainability is to strategically develop a business model that answers the question: *What are we going to do today to develop a better tomorrow?*

And it’s the responsibility of family business leaders to establish the practices, processes and structures for synchronizing their business and sustainability strategies in order to connect the past and the present with the future.

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In the Sheikh Saoud Bin Khalid Bin Khalid Al-Qassimi Chair in Family Business at the American University of Sharjah, UAE, we mapped the entrepreneurship and family business ecosystem in Sharjah. After analyzing the different initiatives and actions they have taken, we have identified four pillars of responsibility that are supporting the sustainability strategies of family businesses.

Beneath each of these four pillars is their continuing commitment to local communities. By doing what is vital for today, family businesses are fulfilling their purpose to contribute to a better tomorrow.

### Rodrigo Basco

STEP Project Global Consortium Board Chair  
Professor & Sheikh Saoud Bin Khalid bin Khalid Al-Qassimi Chair in Family Business  
American University of Sharjah

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# Key takeaway

## Sustainability as a long-term business strategy

Sustainability is essential for long-term viability. Just 'doing the right thing' as a responsible corporate citizen is no longer enough.

Business strategy concentrates on decisions that have been made *in the past* to maintain the company's competitiveness *today*.

Sustainability strategy is focused on decisions that are being made *today* for the company's *future* competitiveness.

One integrated strategy is how sustainability can become 'business as usual.'

# Sharjah's four pillars of sustainability



## Corporate family responsibility

By anticipating the potential complexity of the family in future generations, sustainable family businesses are developing structures and processes to govern the family and business relationship. The aim is to develop family corporate governance structures that meet the family's future needs without jeopardizing the economic, social and emotional meaning of the family business.



## Corporate spatial responsibility

To preserve their local and regional environment, sustainable family businesses are committed to technology and innovation; taking actions to improve their internal production processes; and supporting external initiatives that contribute to local environmental improvements and aid the natural ecosystem.



## Corporate social responsibility

To care for society at large and its economic and social actors, sustainable family businesses actively participate in philanthropic, ethical and economically responsible initiatives to improve the quality of life in local communities.



## Corporate network responsibilities

To cultivate durable connections among economic and social actors, sustainable family businesses adopt a stewardship approach with their employees, suppliers and customers in order to care for their future needs and expectations.

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# Navigating a long and winding road



## Being green isn't good enough

There is a green market revolution, and carbon footprints are unwelcome on the sustainability path. As a consequence, environmental protection and de-carbonization efforts are typically the first actions that come to mind when companies begin to plan their sustainability journeys.

Many family businesses, however, have a system-wide perspective on what sustainability means *inside* their business as well as the impact it is having *outside* the business.

It's how families in business typically think and act as they balance the need for achieving long-term financial success with the importance of ensuring that their purpose and values are reflected consistently in their actions. Many have concluded that investing in sustainability is essential as an engine for growth and for product and service innovations that will contribute to the long-term survival and success of their businesses.

## What road to follow?

With their commitment to operate responsibly and preserve their reputations, family businesses are generally unwilling to take non-sustainable actions that may damage their reputation immediately as well as

for subsequent generations.<sup>5</sup>The evidence is in the long-term relationships that many family businesses have established with their customers, suppliers and employees, while also improving social equity and economic development in the communities where they operate. This represents the very definition of shared value.

Even though family businesses are highly motivated to do the right thing, they may unintentionally exhibit behavior or take actions that aren't sustainable. They may be unaware, for example, of major issues — such as forced labor and human rights abuses in distant points along their supply chains that aren't easily identifiable. No business can have direct control over every environmental, health and social sustainability issue, so that makes the need for multiple stakeholders to work together a critical necessity.

The road to sustainability will continue to widen and branch in new directions, and there will likely be a few necessary detours along the way. Everyone is looking for a guide to help navigate this journey. And because it's already a well-traveled path for many family businesses, their time-tested routes could well prove to be invaluable.

<sup>5</sup>Dyer & Whetten (2006). "Family Firms and Social Responsibility: Preliminary Evidence from the S&P 500." *Entrepreneurship Theory and Practice*.

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# Key takeaway

## The importance of bringing others on the journey

Help everyone in the business to understand and believe why sustainability is good for everyone.

Talk to younger people — they have different ways of looking at the world.

Encourage diverse perspectives on trends that different stakeholders will be looking for in the future.

Invite customers and suppliers to join you on the journey.

“

When you think of sustainability, it isn't only about yourself. It's also about your customers and communities and where you want to be several years from now — that is key for us. It isn't just the family owners who need to be thinking about this, but every stakeholder that's involved in or affected by our business and how they interact on the sustainability journey. It's what guides each generation in conducting business in a way that's good for everyone. And it's the collaboration across our entire network that helps to power us through.

**Temitope Samson**

Executive Director

BOVAS Group — A 48-year-old, second-generation one-stop energy solutions company in Nigeria

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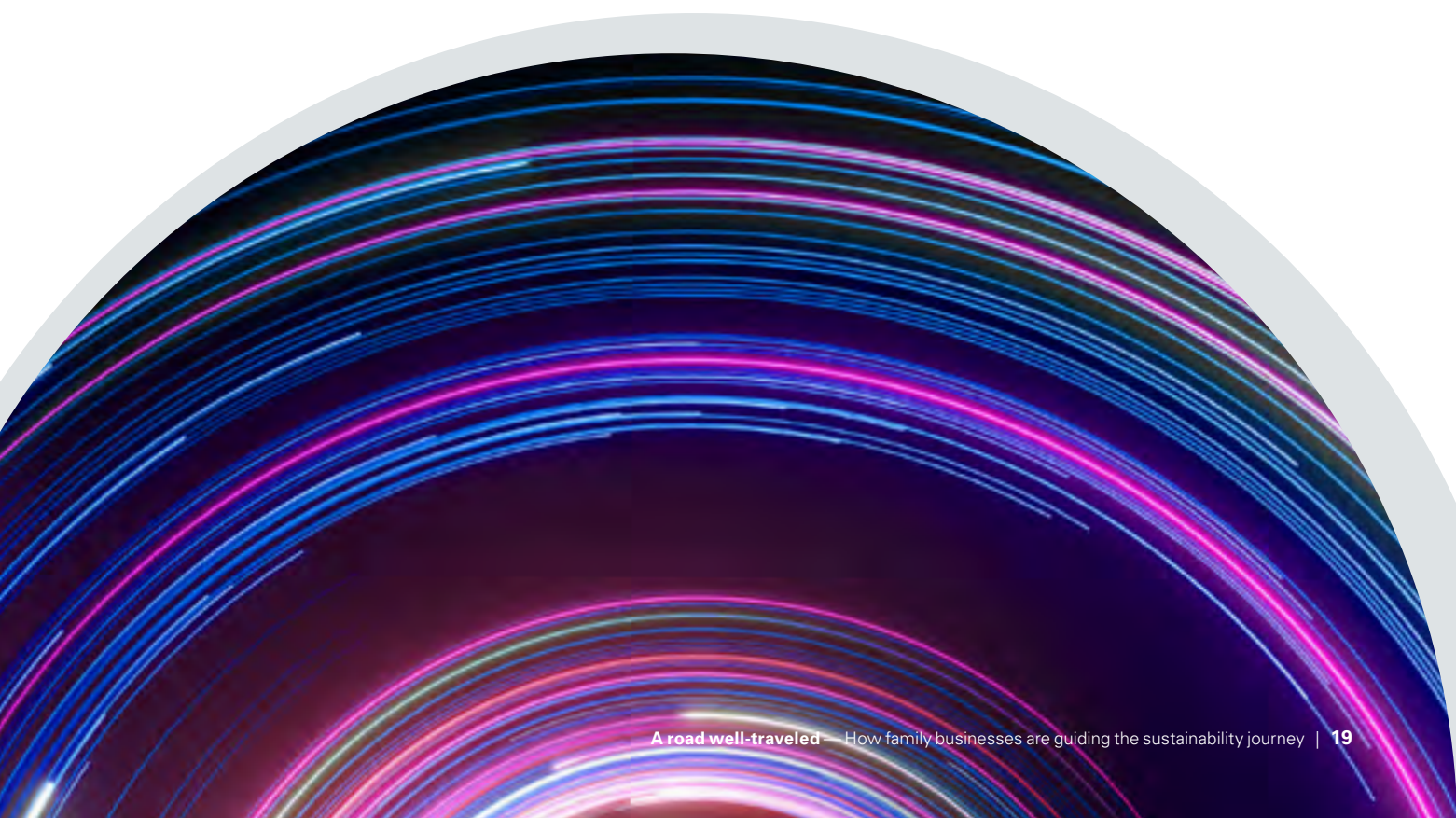
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## Similar paths... different journeys

Often, the degree of urgency and focus on sustainability may be industry dependent. There are some industries, for example, that are facing increasing pressures from their competitors and customers, including a new generation of consumers, employees and shareholders. Other companies have not yet conducted materiality assessments to identify the relevant risks to their businesses and the priority areas for action are not yet clear.

Regardless of the industry, it is becoming clear that younger generations are focused on environmental and social issues, and they're paying close attention to the ways in which companies are managing the relevant

risks and the goods and services they offer. Thus, addressing these risks and openly communicating the company's progress in addressing them will increasingly be expected as part of a well-defined top management growth strategy.

As is the case with most business practices, there is no one-size-fits all approach to sustainability, and there are valuable lessons to be learned from every company's journey. We're pleased to have this opportunity to share some of these family business leaders' stories and insights from a variety of industry sectors.

Some are beginning to take the first steps in their journey. For others, this is already a well-traveled road. Each has a unique story to tell of their experiences and what sustainability means to their business and their family.

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The materiality assessment is, and will continue to be, the starting point for identifying critical risks around ESG, and in defining the relevant actions that can be taken to mitigate them. This requires assigning responsibility to individuals and governance committees, such as Sustainability Directors and Audit Committees who can identify the relevant internal controls that may be required to generate the information that will be the basis for sustainability reporting.

**Jesús Luna**

National KPMG Private Enterprise Leader  
Partner  
KPMG in Mexico

”

“

The most visible examples of family firms with fully integrated sustainability strategies are those with B Corp certification (a private certification of for-profit companies of their social and environmental performance), many of whom have a proportion of their sales coming from export markets. Often these companies were born as sustainable enterprises, with sustainability issues initially integrated with their value proposition, and then throughout their entire process of value delivery.

For instance, tree-to-bar chocolate began as a fair trade certified product, paying fair prices to local farmers and supporting them for delivering high-quality raw materials. Several years later, these same companies started to take care of CO<sub>2</sub> emissions in their production process, introducing recyclable packaging and undertaking circular economy projects as fully integrated sustainability businesses.

**Jorge Andres Rodriguez**

Professor, ESPAE Graduate School of Management  
ESPOL (Ecuador)

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# Explore unique stories from family business leaders

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# A standout sustainability leader



## Arco — UK

**Established:** 1887

**Family:** Martin

**Business sector:** Manufacturing and distribution of personal safety products

**Current leader's generation:** Fifth



*We had been addressing a lot of matters that are now recognized as sustainability issues for many years, but we wanted to formalize it. If you link your sustainability and corporate strategies, put resources behind it and report on it monthly you end up with a program that leads to a safe business, safe people and a safe planet."*

**Thomas Martin**  
**Non-Executive Chairman**  
Arco

Experts in safety and the UK's leading supplier of personal safety products

Arco has been awarded a gold medal for sustainability after an assessment by EcoVadis, the world's largest and most trusted provider of business sustainability ratings.

Thomas Martin, Arco's Non-Executive Chairman, describes how conducting business responsibly has always been part of what the company represents and how it operates. However, the company recently took steps to formalize its approach to sustainability by creating a sub-committee of the board that's charged with reviewing the company's current sustainability journey; what it could become; and how to close the gap to get the company to where it wants to be.

He says that *"We like to think of ourselves as a significant player in helping to shape the market in terms of any safety products and services and we'll supply the training to make sure you go to work safely. Our philosophy on safety is that if you're responsible, you can pretty much do anything if you do it the right way, with the right tools and the right expertise. It's all about enabling that to happen."*

Arco's experience has shown that because family businesses are generally aligned as owners, partners and leaders of the business, it makes it possible to have conversations quickly and act on important sustainability issues.

### A step forward on the sustainability journey: Formalizing the strategy

*"Over the last 20 years," says Thomas, "we have been addressing a lot of matters that are now recognized as sustainability issues, but we wanted to formalize everything that we had been doing. That included the responsible actions we've taken regarding our*

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supply chain management and our lobbying efforts with governments on responsible supply chains. To take a more strategic approach, we asked one of our non-executive directors to set up a board committee to make sure that whatever we came up with wasn't a bolt-on or a tick box activity or greenwashing, but something that would actually come alive."

In Arco's case, that required an investment of time and money in determining the permanent full-time executive resources that would be needed to integrate sustainability throughout the company's operations.

Learning and knowledge-sharing was an integral part of this stage of the journey, with the company's non-executive director and the general counsel enrolling in an intensive course with delegates from all over the world who were at various stages in their sustainability journeys. Subsequently, their challenge was to join up everything that was being done across the business from a sustainability perspective, and to deliver a clear message to the business that these actions were not a proprietorial whim.

Thomas notes that *"The outcome of this challenge provided us with a very rich resource, which we hadn't really understood. After going through the exercise, we realized that we already had 584 sustainable products out of a total of 20,000 in our portfolio. Circular economy models were already in play, and we were able to identify what we were already doing in terms of decarbonization, waste management and energy equalization. As a result of this exercise, our business has become even better because it has increased the amount of collaboration taking place all across our business in an assortment of spin-off activities."*

## Sustainability as a competitive advantage

Allocating time, money and encouraging debate throughout Arco also led to a series of better questions being asked of the sustainability project team.

Thomas highlights how *"We were getting better answers from Gen Z because these 19 and 20 year-olds who are committing to our business want personal and career development, but they also want to feel that they are aligning their efforts with a purpose that they can believe in. Frankly, we are all in a race for talent, and having a clear statement that this is a core part of what our company is about is integral to our strategy. It has made us very attractive in getting the best talent to join us and that also gives us a competitive advantage."*

Arco has aligned its sustainability strategy with selected UN Sustainable Development Goals. The company has invested approximately half a million pounds in virtual reality to reduce travel and create safe environments for its training courses. It has also made significant investments — along with Teesside University — to create a potential game-changing (and globally patent-protected) technology for recycling Personal Protective Equipment (PPE).

The company is now beginning to communicate its methodology and approach to sustainability externally. The final piece was the completion of a materiality audit to work out which elements of sustainability are important to Arco's customers, the community and other stakeholders. That audit was conducted independently, and it identified that the company is already meeting approximately 78 percent of its stakeholders' needs. The question now is, how can the company turn the missing 22 percent into a reality?

*"We don't yet have a full set of KPIs to measure the impact of our strategy," says Thomas, "but we hope to have agreement on it by mid-year. We aim to set Science Based Targets (SBTi) which will inform our path to Net Zero. It's amazing — if you link your sustainability strategy with your corporate strategy, put resources behind it, and report on it monthly you end up with a program that leads to a safe business, safe people and a safe planet. This isn't a 'nice to have', it's a 'need to have' and it's totally worthwhile."*

## Sustainability as a commercial imperative and the right thing to do

Focusing on sustainability and adding to the bottom line are not mutually exclusive. Operationally, it improves efficiently. For Arco, it has also added to the company's bottom line by creating a differentiated approach. In a recent multi-million pound tender, for example, the sustainability score accounted for 60 percent of the weighting.

*"You expect it to be about price," concludes Thomas, "but sustainability was the defining factor in our ability to win this bid. I can name six contracts in the past four months where sustainability has been the key to Arco winning the business, and that's because we can provide evidence of what we're doing, where we're going and how we're going to get there. A company's sustainability strategy and impact have out-and-out commercial implications as well as being the right and responsible thing to do."*

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# Transitioning to a formal sustainability commitment



## Barry Group — Ireland

**Established:** 1955

**Family:** Barry

**Business sector:** Wholesale distribution of food and alcohol

**Current leader's generation:** Second

**Generations active in the business:** Second and third

**Operations:** Over 1,500 customers in Ireland and abroad

**Employees:** Over 250

Barry Group is Ireland's leading family-run wholesale distribution company and it services over 1,500 customers nationwide. Founded in 1955, the Barry Group has successfully grown from a local business to a leading wholesale distribution company, with over 250 employees operating from its headquarters in Cork, Ireland.

### The beginning — an unconscious commitment to sustainability (a forward-looking orientation)

As is the case with many family businesses, Barry Group began its sustainability journey unconsciously by establishing the business fundamentals, supporting local charities, looking after employees and making sure the company is a great place to work.

In 2020, the company's trucks were as efficient as they could be from a fuel perspective, and the warehouse was equipped with modern, energy-efficient lighting. However, no sustainability-related improvements were being undertaken or measured in a formal way.

The time had come to take a big step forward to make the company's sustainability commitments more formal, but 2020 and 2021 were difficult years in the distribution business during the pandemic. It was 'all hands on deck' to move stock and respond to urgent issues, and the sustainability strategy was put aside.

2022 was the beginning of the company's reset. The family realized that it didn't have the internal expertise



*We can be influencers within our network, and we need to ensure that all our stakeholders take the sustainability journey along with us to make change happen."*

**Jim Barry**  
**Managing Director**  
Barry Group

Ireland's leading family run wholesale distribution company servicing over 1,500 customers nationwide



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to develop a formal sustainability strategy, and an external consultancy was engaged to help guide Barry Group down a more formal sustainability path.

## Changing by degrees — exploring, learning and adapting

The task was to develop a strategy that would set the company in the right direction and catch up with other companies in their sector.

Holly Barry, the company’s Brand Strategist, describes the first step as a materiality assessment among Barry’s employees, company directors, external suppliers and customers. One of the key learnings was that the older generation was interested in learning how to run the company sustainably, but younger generations were much more vocal, and their points of view and behavior were influential at home and in the workplace.

Managing Director Jim Barry has described how both the company and the family stepped back following the completion of the materiality assessment and began to explore what they wanted the company to look like in 2050 for the family, employees and customers — and what the steps would be for getting there.

*“For us, it’s more than an environmental issue,” states Holly, “and we have to understand what we stand for. Packaging is a huge part of this for us — as is sustainable sourcing of food. There is legislation emerging in the UK regarding the sale of goods with high levels of sugar and salt, for example. We don’t have that yet in Ireland, but it will obviously have a huge impact when it does come. So, we have to look at how this and other changes may affect our business, and how we may need to adapt our sustainability strategy.”*

## Measuring and validating business impact

Barry Group has added a sustainability pillar to its long-term strategy and developed a three-year plan that has sustainability woven throughout every department. Holly emphasizes that *“We’re at the early stage of the formal side of our strategy and we know we need to*

*measure things. We have a lot of the boxes ticked, but not in a formal way. So, the initial steps have involved a lot of communication with our senior team about the journey we’re going on and making sure that all our people can continue to live our values.”*

*“We didn’t have the infrastructure in place for measurement, and that has required a major investment,” says Holly, “and it has made us realize that we need better measurement across our entire business not just for our sustainability goals. That is becoming a much bigger project and making us re-evaluate what modern measurement looks like. So, we’ve been really advancing where we are as a business and progressing our technology capabilities as yet another strategic pillar.”*

According to Holly, buyers are challenging all of their suppliers on where they stand from a sustainability point of view. As one of the top issues that suppliers are talking about, Holly believes that sustainability will likely be a major part of the criteria for any significant contracts going forward, and there’s an onus on business owners like Barry Group to make sure that their own suppliers (both small and large) are joining them on the sustainability journey as well.

## Leveraging the ‘power of many’

Barry Group’s strategy is based on the power of many by ‘taking a collective approach in order to achieve a collective effect.’ *“We’re influencers within our network,” says Holly, “and we have to ensure that all our stakeholders take that journey with us to make change happen.”*

Jim adds that Barry Group has the opportunity to influence the behavior of its own customers as well. *“It’s already opening up conversations with customers who want to make sure that retailers are operating ethically. We’re looking forward to including everyone on this journey, and we think that there will be huge benefits in strengthening the relationships between suppliers, retailers and customers through a collective commitment to sustainability.”*

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# Leaving a better company and world to the next generation



## Grupo Dominguis Energy Services (GDES) — Spain

**Established:** 1932

**Family:** Dominguis

**Business sector:** Industrial services leader in energy markets

**Current leader's generation:** Third

**Operations:** Spain, Portugal, Spain, Italy, France, Sweden, UK, USA, Mexico, Panama

**Employees:** Over 1,000 worldwide



*Sustainability is embedded in our business strategy and our service offering. So the growth of our business will be a direct sign that we have helped to improve our clients' sustainability performance and our own."*

**Héctor Dominguis**

**Chief Executive Officer**

Grupo Dominguis Energy Services (GDES)

Spain's leading industrial services provider for all energy markets

### GDES — Adding value in providing energy to the world

Established in Spain in 1932, GDES is an international leader in energy services. With sustainability as its core purpose and primary objective, all of the company's services and activities are designed to contribute to decarbonization, energy efficiency, digitalization and waste reduction through a circular economy.

GDES CEO Héctor Dominguis is emphatic that *"We face one of the toughest challenges that humanity has come across, with global warming as a major threat to our existence. Increasing our efforts towards sustainability is an absolute must."*

### The beginning of the GDES sustainability journey

GDES has been involved in the nuclear industry for over four decades, but its intense collaboration with the Spanish Nuclear Society in defending the key role of nuclear energy towards decarbonization and mitigation of global warming, raised the company's awareness of the urgent need to take action to prevent further global warming.

According to Héctor, *"This made us realize that our purpose as a family in business should not focus only on future generations of our family, and we refocused our purpose to try to have a larger impact in the sustainability of the planet."*

The company's first step was to gain the approval of its shareholders and board to adopt a new purpose

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with a broader scope and transmit this to all the business leaders within the organization to direct their objectives, investments and strategies in the same direction.

Specific business units were created to promote each of the company's core objectives of efficiency, digitalization and a circular economy, and the business plans and investments were adapted to develop these businesses.

## Leaving behind a better company — and world — for the next generation

Héctor adds that GDES is focused on the long term, as is the case in most family businesses. *“In addition to developing three- and five-year business plans, we also plan for the generations that will follow,”* he says, *“and we work diligently to leave them a better company. This is what has led us to make sustainability the centerpiece of our purpose. We want to leave a more sustainable business and a better planet for future generations by helping to improve the environment, the economy and society as a whole.”*

## Achieving collective impact

GDES was already aware of and involved in sustainability efforts but making sustainability the sole purpose of the business was a significant transition point. Sustainability goals are now fully integrated with the company's business strategy, since the strategy is to develop services that contribute to the sustainability of the company's clients. In this way, GDES is helping to improve sustainability performance well beyond its own operations.

This central purpose is embedded in GDES's business, which is designed to add value only by marketing sustainable services to its clients and in making the company's central purpose more important than the purpose of growth. *“Of course,”* Héctor adds, *“we hope that if we do things the right way, more clients will want to work with us, and we will be able to help*

*even more industries to comply with and exceed their own sustainability objectives.”*

The company is now in the process of launching an Open Innovation Portal to attract ideas from other entrepreneurs, companies, scientists and investigators that share our purpose and help them achieve their own goals by supporting them financially, strategically or commercially in any way we can.

For its own business, GDES has adopted standard KPI measurements, along with specific indicators for each client to measure the success of the company's services in terms of energy consumption and waste reduction.

## Enabling the sustainability journey

Technology and innovation are on the company's side with major developments in science and technology that can help to improve the planet. Digitalization and data analysis, for example, are the main sources of improved efficiency and waste reduction in production processes and are key enablers of the GDES sustainability journey. The enabling impact of technology also helps to explain why GDES has invested in an advanced data analysis company that specializes in process optimization, which will help to improve the company's own processes as well as those of its clients.

Héctor Dominguis concludes that, *“Urgent actions are needed in order for our children to enjoy a healthy planet, but our individual efforts will have a limited impact on true sustainability. That is why we have to stretch beyond ourselves and increase the collective impact we can have on others through our businesses.”*

*With sustainability embedded in our own business strategy as well as our service offering, the growth of our business will be a direct sign that we have helped to improve our own sustainability performance and that of our clients as well.”*

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# A focus on sustainable manufacturing



## JSP Ltd. — UK

**Established:** 1964

**Family:** Johnstone

**Business sector:** Europe's leading independent manufacturer of 'above the neck' personal protective equipment

**Current leader's generation:** Second

**Generations active in the business:** Second

**Operations:** Manufacturing facilities in the UK, Germany, UAE, USA and China; additional office locations in France and Poland. Local sales representation in over 95 countries

**Employees:** Over 400



*We've always been very focused on the sustainability of our products and our operations because it's the right thing to do. But we've also done it because it makes economic sense."*

**Mark Johnstone**  
**Chief Executive Officer and**  
**Sarah Baker, Marketing Director**  
JSP Ltd.

Europe's leading independent manufacturer of 'above the neck' personal protective equipment



Sustainability is extremely important to JSP, and the company is continually improving its manufacturing methods to ensure a safer, more sustainable future by making products that are substantially recyclable, and by concentrating on product lifecycle management and educating its workforce.

### Early wins

JSP has been on the sustainability journey for close to 15 years. As a manufacturer, the company recognized early that lean manufacturing and local manufacturing are far better for supply chain management, for suppliers and for customers. It wasn't difficult for JSP to gain early wins in its manufacturing operations using the latest technologies and methods. And with its own R&D centers, the company was able to conduct lifecycle analyses of its products to extend their life cycles, leading to innovations in products that can be repaired with high-quality replaceable parts and potentially last a lifetime.

As a family business, Marketing Director Sarah Baker says, *"We can really innovate and make change happen quickly. We can also do a lot of work from a marketing and communications point-of-view to educate our end users on how to maintain our products and make them last longer. It's a huge subject. Everyone is learning from each other, and we can always improve. One of our core aims for the next five years is to be the most sustainable manufacturer of PPE. And that's exciting."*

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## You have to collaborate to become sustainable

The company recognizes how critically important it is to involve many different people on the sustainability journey and has formed a sustainability team that is led by management. There are energy champions reporting to management in each factory, for example, who gather suggestions from the shop floor to reduce energy consumption. There are personnel focused on sustainable packaging design. The purchasing team source sustainably and locally where possible.

JSP uses the supply chain sustainability school in UK and the EcoVadis platform in Europe for sharing information with distributors in UK and Europe and conducts SMETA audits of the company's factories to assess working conditions and how they could be improved.

The company also collaborates with recycling companies to try to improve the end-of-life process for its products — for example is a founder member of the Hard Hat Recycling Scheme.

## Sustainability as a fundamental business strategy

JSP's Chief Executive Mark Johnstone emphasizes that sustainability is fundamental to the company's overall business strategy. *"There's a lot more recognition of the need to improve all aspects of sustainability,"* he says, *"and as a family business, we're able to make decisions quickly. Governments are setting targets, but frankly, it's the private sector that will make the difference in achieving them. It's up to companies like ours to do that."*

*We've always been very focused on the sustainability of our products and our operations because it's the right thing to do. But we've also done it because it makes economic sense. We're a product manufacturer and the whole design of a product is crucial in terms of how recyclable it is. It has to be integrated throughout everything we do, and these days, that's even more the case given the high cost of energy. We need to keep finding innovative ways to reduce our consumption along with innovations that improve our manufacturing processes."*

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# Good business, well done, as a force for good



## Wates Group – UK

**Established:** 1897

**Family:** Wates

**Business sector:** Construction, residential development and property services

**Current leader’s generation:** Fourth

**Generations active in the business:** Fourth and fifth

**Employees:** 3,965



*We have a very simple strategy — to hand off a stronger, more sustainable business to the next generation. It doesn’t mean just being a ‘green’ business — it needs to be economically sustainable, environmentally sustainable — the sort of business that the next generation wants to carry on.”*

**Sir James Wates CBE,  
Chairman**

Wates Group

One of the UK’s leading privately owned construction, residential development and property services businesses

Wates Group, one of the leading privately owned construction, residential development and property services businesses in the UK, celebrated its 125<sup>th</sup> anniversary in 2022, and the company in the same year won the prestigious Queen’s Award for Enterprise in the Sustainable Development category for the third time, unique in the sector.

The company’s sustainability journey began in the mid-’70s when Wates became involved with an eco-village development where the company built the most sustainable house that had ever been constructed in the UK. The development was one of the earliest public recognitions of the importance of energy performance and the efficiency of housing. Since then, Wates has continued further along the sustainability journey.

In the words of Wates Group Chairman Sir James Wates, *“Being a force for good doesn’t come automatically. Companies need clarity of purpose, grounded in social value, and a good steersman to help them deliver that value. Our business is construction, development and property services, so we’re very much in the built environment — one of the biggest contributors to carbon in the world. At the very least, we want to be a business that’s responsible and responsive to that.”*

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## Handing over a stronger business to each generation

Sir James emphasizes that *“We have a very simple strategy — to hand off a stronger, more sustainable business to the next generation. It doesn’t mean just being a ‘green’ business — it needs to be economically sustainable, environmentally sustainable — the sort of business that the next generation wants to carry on. It also has to be sustainable in terms of the communities we engage with and our people. And it must be structured in a way that future generations are able to own it in a successful way. So, there are a multitude of issues.”*

A significant focus of Wates’ strategy today is the recognition that diversity and inclusion are major contributors to sustainability. As Sir James explains, *“If you’re always fishing in the same pond, you’re getting the same answer every time. So as a business, you always have to be looking across a pond that’s larger than your natural pond — and the more angles you can bring to the table, the better.”*

## Turning sustainability into a competitive differentiator

The Wates property services business conducts public sector social housing repairs and maintenance. As such, a major part of the company’s service offering is related to how the company engages with its tenants and with the local community.

Wates hires local staff. The company provides training on how to ‘own’ properties by equipping their customers with the skills to maintain and repair their homes through apprenticeships and training programs. Watts Property Services explains that *“We engage with the tenant community to support what they’re*

*doing — which, in turn, supports the local community overall. Training and teaching our customers are ‘soft’, high-value outcomes that give us a competitive advantage. It’s something we’ve always done, but now we’ve codified it. We’ve recognized that it is something that has always come naturally to us, and perhaps the time has come for us to be less quiet about it.”*

## Disrupting traditional operating practices

From a practical point of view, Wates established a sustainability committee of the board approximately six years ago. It is led by a family member to ensure that there continues to be high engagement on sustainability issues at the highest level. The company has committed to net-zero carbon in its operations by 2025, and to do that, it is investing in the people who understand the issues in the business.

*“Alongside that, “says Sir James, “we have looked at our governance practices, which continue to shift and evolve. We’re looking to achieve more strategic, high-level governance where we can set out the values of the family — which are all about having a sustainable business in its broadest possible sense — and translating those values throughout the business and with our stakeholders.*

*Underneath it all, I believe that we have to disrupt and change the way we’ve been operating for the past 125 years. We have to do things differently, seize new initiatives and be open minded to make our business sustainable for the next generation, and the next generation after that.”*

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# Making remuneration a catalyst for change



## CAREL Industries — Italy

**Established:** 1973

**Family:** Luciani

**Business sector:** Designs, manufactures and sells high-tech components and solutions for high-energy efficiency in controlling and regulating air conditioning systems and equipment.

**Current leader's generation:** First

**Generations active in the business:** First and second

**Operations:** 31 subsidiaries; 13 production plants across the world; partners and distributors in 75 countries

CAREL Industries is one of the world's leaders in control solutions for air conditioning, refrigeration and heating, as well as systems for humidification and evaporative cooling. Its products are designed to generate energy savings and reduce their environmental impact.

Since its beginnings 50 years ago, the company's products have been created with sustainability at the forefront of the entire design, manufacturing and marketing processes and to achieve concrete and measurable objectives for the current and future generations.

To support the company's strategic development, and recognizing that sustainability requires a medium-to long-term perspective, CAREL has put significant effort into designing a new remuneration policy with long-term incentive plans that are integrated with the company's ESG objectives. Beginning in 2021, CAREL embarked on a multi-year path of concrete actions in its first sustainability strategic plan, with the concept summarized as **"Driven by the Future — Sustainability in action"**. The plan reflects CAREL's strategic vision on sustainability and is in line with the United Nations Sustainable Development Goals.



*We want to represent a model of excellence in the world by adopting a new approach to sustainability that is fully integrated into the business, into our corporate purpose and our company's culture code. This approach will enable us to respond to the challenges of a globalized world that is increasingly attentive to the impact that industrial processes have on society and the environment."*

**Carlotta Rossi Luciani**  
**Executive Director**  
CAREL Industries

A world leader in control solutions for air conditioning, refrigeration and heating

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With this approach, CAREL intends to fully integrate sustainability into the company’s culture and the Group’s vision, strategies and processes. The objectives of the plan will be updated annually based on the results that have been achieved to date and the addition of new ambitions.

This strategic approach also provides a clear link between pay and purpose. With remuneration aligned with CAREL’s economic, social and environmental values and performance, it encourages a longer-term perspective and encourages the active involvement of employees who benefit directly from achieving the company’s strategic objectives.

Carlotta Rossi Luciani remarks that *“By realigning pay and purpose, CAREL has the opportunity to transform executive compensation from being a reputational risk factor to becoming a catalyst for change. Our remuneration policy’s objective is to go beyond the usual ‘attract and retain the right people’ objective and to become a catalyst for positive change in the organization and for all of its stakeholders.”*

### Consistent measurement and transparent reporting

CAREL is aware of the importance of communicating the company’s sustainability commitment to all of its stakeholders and to measure and demonstrate consistency between what it says and what it does.

With ESG targets in place for the executive incentive program, disciplined disclosure practices play a vital role in providing transparent reporting on the progress that is being made. CAREL’s goal is to give investors, customers, employees and a range of other stakeholders an objective and accessible articulation of the coordinated efforts and progress that the company is making on its sustainability journey.

Measurable qualitative and quantitative reporting mechanisms for ESG objectives are not optional — they are fundamental to the company’s mission and purpose. Because they are integrated with the business strategy, they must also be as measurable as the company’s financial results. CAREL produces an annual non-financial report, which is an essential tool for managing and communicating the company’s sustainability commitment. As Carlotta Rossi Luciani emphasizes, *“This ensures that we are accountable for our choices, activities, results and use of resources in a given period, and it allows our stakeholders to know and formulate their own opinions about how the company is carrying out its activities and its institutional mission.”*

With this approach, CAREL is fully integrating sustainability throughout the company’s culture and into the Group’s vision, strategies and operating practices.

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# A living history of sustainability

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## Shepherd Neame Limited – UK

**Established:** 1698

**Family:** Shepherd and Neame

**Business sector:** Brewery

**Current leader's generation:** Fifth

**Generations active in the business:** Fifth and sixth actively carrying on the family's values

**Operations:** A portfolio of 300 pubs; 218 hotels and inns



*We've been on the sustainability journey since 1698! First and foremost, we're a community business. The brewery sits on five acres in the heart of Faversham in Kent — the original site of artesian water that was discovered in the 16<sup>th</sup> century. Generations of the Shepherd and Neame families have worked here. But perhaps more importantly, so have generations of local families."*

**Jonathan Neame**  
**Chief Executive**  
Shepherd Neame

The oldest and largest independent brewery in the UK

Shepherd Neame is Britain's oldest and largest independent family brewer, and the company has been on the sustainability journey since its earliest days. It sits on five acres in the middle of Faversham, the original site of artesian water that was discovered in the 16<sup>th</sup> century. Generations of the Shepherd and Neame families have worked in the business, but just as importantly, so have generations of local families.

### A family and a business — both driven by purpose and values

For five generations, the family's unrelenting sense of purpose to enrich the lives of their customers and communities has been driven by a culture of shared values. Together, purpose and values have been the foundation of Shepherd Neame's business model and its history of sustainability. That foundation continues to be unshakable.

In Jonathan Neame's view, the company's journey is enhanced by having both family and non-family members aligned to a singular purpose: enriching people's lives. As he remarks, *"A sustainability sea change is happening in the post-pandemic world. Younger employees definitely want to work for a business that has a strong sense of purpose. They need to believe they are working for a company that is authentic and relevant. And, yes, they expect to be paid a market rate, but their learning and development opportunities and how those will help to shape their future are what's crucially important."*

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## 'The jam in the donut of Faversham'

Shepherd Neame's unmatched heritage in the heartland of Britain, combined with its long-term immersion in local communities, provides the company with unique insights, knowledge and trust. *"We're part of the community, and that enables us to adapt and develop our business in parallel with the reality of what's happening demographically and economically with our customers, employees and partners,"* states Jonathan.

The Shepherd Neame family is playing the long game. When times have been tough, they've shown grit and resilience in sticking to the delivery of their customer and community promises. And in good years, they've capped their dividends with a view that taking too much could mean they're under-investing in the business and putting their legacy at risk.

Sustaining this shared value and sense of purpose has to be something that others can see and believe in at the operating level — a purpose that's both authentic and relevant. A good example is Shepherd Neame's "Women in Brewing" initiative. *"This is not a tick-the-diversity-box exercise,"* remarks Jonathan. *"Women were actually the pioneers of brewing in the early days. And that's embedded in the DNA of our family and throughout our business. But over the years, the number of female brewers has dwindled, and now we're making a sustained effort to encourage women to come back. It's not only an important part of our history, but an important part of our future as well."*

### Sustaining a time-honored legacy

In addition to its brewing and hospitality businesses, Shepherd Neame owns and invests in listed buildings because of the importance of preserving the history and a legacy. *"We are dedicated to safeguarding the local brewing heritage for future generations,"* says Jonathan, *"and our investment in the upkeep of these buildings helps to preserve time-honoured crafts, such as thatching, signwriting, stonemasonry, traditional carpentry and glass etching."*

### Environmental leadership

The company also continues to be at the forefront of environmental sustainability within the brewing and hospitality industry itself. Eighty percent of the hops for the beer that the company produces are sourced locally, for example, and 100 percent of the barley is purchased in the UK — even though it's more expensive than ingredients sourced overseas. And all of the company's

beers are brewed with the finest traditional ingredients including water sourced from the artesian well deep beneath the brewery.

As well as pioneering sustainable brewing methods, the business is seeking to reduce its impact on the local environment and wider communities. Its Streamlined Energy & Carbon Report for the 2022 financial year demonstrates how measuring and reporting emissions data has encouraged the business to target further inefficiencies and improve the company's overall environmental performance.

For example, an application is currently being processed for the installation of 650 solar panels on the roof of the bottling hall, which is expected to produce an estimated 250 megawatt hours of energy per year and save approximately 60 tons of CO<sub>2</sub> equivalent gross emissions.

The direct benefits include lower energy costs, a better understanding of climate risks and allowing the business to be confident in its role as a proactive sustainability leader within the industry.

### Doing business in a socially responsible way

Shepherd Neame also takes its responsibility to customers and communities seriously and believes its pubs should provide a friendly, safe environment for customers, and the pubs are encouraged to be active participants in their communities. Jonathan adds, *"We believe that well-run pubs, parental guidance, individual responsibility and suitable education are important to establish a sensible attitude to drinking, and we support a number of initiatives to help achieve our commitment to do business in a socially responsible manner."*

### Guided by good governance

With strong board accountability and robust governance to underpin it, the collective responsibility to Shepherd Neame's sustainable business strategy reinforces the trust that has been built within the community and among the company's customers. The board aims to ensure that the strategy and objectives are consistent with the company's culture: namely, an emphasis on serving its communities and preserving a long-term outlook; encouraging originality; and maintaining the company's reputation as a good partner and employer through sustained fair and ethical behavior.

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# Eight keys to unlock the sustainability of your business



# Eight keys to sustainability performance

The approach to sustainability can take many different routes, but here are eight success factors that family business leaders identified as the keys to unlocking a sustainable future for their businesses, their families and the world. Each factor is important in its own right, but it's the combination that makes the real difference in the sustainability performance of family businesses.



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## Highly structured governance practices



For family firms that are at the beginning of their sustainability journeys, empowered and effective family governance is of utmost importance. Indeed, only by defining clear roles and responsibilities within the owning family, its structures and mechanisms will it be possible to foster communication and build consensus on ‘who are we’, ‘where we want to go’ and ‘what we want to give to future generations and to the world’. A well-defined and fully developed family governance system provides a strong foundation on which to build the sustainability agenda of family firms.

**Andrea Calabrò**  
STEP Project Global Consortium  
Academic Director  
Professor of Family Business & Entrepreneurship  
IPAG Business School



Choosing the right governance practices in a family business is a critical ingredient for the company’s long-term sustainability. While business governance is essential for effective business processes and establishing control mechanisms, family governance processes and structures serve a different purpose. Not only do they help to support a strong communication environment among family members, but they also help to define who the family is as a group and what they want to achieve.

The presence of boards and family councils, for example, generally reflects a strong governance mindset, and companies with good governance structures and practices have typically made better progress in defining their sustainability goals and implementing their strategies.

For Italy’s CAREL Industries, sustainability has not only become a structural component of the company’s corporate strategy, it is also an integral part of the board’s responsibilities. It has required the company to define and adopt a governance structure for sustainability to ensure that it can be managed effectively and tightly integrated with the business and corporate culture.

As CAREL Executive Director Carlotta Rossi Luciani describes, “*At the board level, I have specific responsibilities on sustainability in addition to what has been assigned to the Control Risk and Sustainability Committee. A multi-functional ESG team has also been created and is coordinated by the Chief Financial Officer. We believe this strong and integrated governance system is a clear demonstration of CAREL’s commitment to sustainability and provides us with a great opportunity to strengthen our competitiveness and attract the top talent we need to achieve sustainable success.*”

### Key insight

Next-generation and independent board members are often the key initiators of a formal sustainability strategy. The board is accountable for the strategy but implementation is the role of all the key players within the family governance structure. It’s the role of family and owners’ councils to consult with the board and provide their guidance.

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## Active involvement of non-family members



The degree of **family involvement** is often an area of particular interest for business families because of the impact it has on the sustainability performance and digitalization of their businesses. The survey responses showed us that 99 percent of the CEOs have multiple roles in their family businesses. More than one-half are also the Chair of the Board, and approximately one-third have roles on the top management team.

However, our previous research has shown<sup>6</sup> that there are proven benefits to having a good balance of family and external experiences and views represented on the board. Having both **family and non-family** members directly involved in the business makes a positive contribution to both the sustainability of the business and the digital agenda.

Because the board is a critical intermediary between the owners and management, there is a danger that the family may not recognize emerging trends and opportunities for progressing the company’s sustainability agenda<sup>7</sup> if they aren’t actively capturing diverse views and input from outside the family.

Family businesses that are dominated by family members on the Board and top management team may benefit from an external perspective to help drive improved sustainability performance and objective measurement.



## Dispersed family ownership



Companies with **highly concentrated family ownership** (between 76 percent and 100 percent) reported low ratings on the sustainability index. However, the level of digitalization was higher compared to companies where the family owns fewer than 25 percent of the shares.

Keeping it all in the family might not be the best option in terms of sustainability actions. This is especially the case if the business requires substantial restructuring and reconversion processes in order to update its current business model to meet new industry standards and stakeholders’ demands. In such cases, cooperating with external capital providers may help to revise the trajectory and set the stage for reorganizing their business model based on the highest sustainability standards.

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<sup>6</sup><https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2022/05/regenerative-power-of-family-businesses-report.pdf>

<sup>7</sup>Ward, J.L., (2006). *Perpetuating the Family Business*. Marietta, GA: Family Enterprise Publishers.





Gender diversity on the board

# 4

Diversity is a notable contributing factor to sustainability performance, particularly in terms of the number of female board members. The family businesses in the survey that have **at least three female board** members reported positive economic, environmental and social performance.

The gender diversity factor has been identified in previous research and has shown that women directors have more diverse backgrounds and education and can add ‘new thinking’ to the board. Having at least three women directors (which constitutes a “critical mass”) changes the boardroom dynamics substantially and increases the likelihood that women’s voices and ideas are heard.<sup>8</sup>

This phenomenon is often a combination of critical mass and the “trickle-down” effect,<sup>9</sup> where women in senior roles will advocate for other women, and their presence in a senior role also increases the attractiveness of the company to other women who are aspiring for senior-level positions.



The sustainability journey has already begun, and entrepreneurial families are in a position to lead it with their innate ability to balance the wealth of current and future generations with their natural care for the community, people and the planet.

In particular, female leaders in family firms contribute a unique combination of hard and soft skills. This empowers them to help keep their families and their businesses on course towards a sustainable world by ensuring that everyone remains focused on the pillars of responsibility that support their companies’ strategies.

**Rosalia Santulli**  
STEP Project Global Consortium  
Research Champion  
Assistant Professor, University of Genova  
Affiliated Researcher, IPAG Business School



## Key insight

How to encourage and support the “trickle-down” effect<sup>10</sup>

- Introduce gender-conscious human resource policies in the business.
- Continue to make appointments until gender parity is achieved.
- Make multiple female appointments to senior levels, such as the board.
- Make female appointments at multiple levels in the business.
- Introduce targets for female appointments, with specific competence requirements.

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<sup>8</sup>Torchia, M., Calabrò, A., & Huse, M. (2011). Women directors on corporate boards: From tokenism to critical mass. *Journal of Business Ethics*, 102(2), 299-317.

<sup>9</sup>Gould, A., Kulik, C., & Sardeshmukh, S. Trickle-down effect. The impact of female board members on executive gender diversity. *Human Resource Management* 2018:57:931 — 945.

<sup>10</sup> Ibid.



## Digitalization



Digitalization is envisioned as a game-changing tool, whereby its integration can turbocharge the sustainability transformation of family firms as well as their competitive advantage. However, there is no one-size fit formula, and to win this challenge, family business leaders need to be proactive in addressing potential contextual and business changes, innovate their business models frequently and be willing to take risks.

**Alfredo Valentino**  
Associate Professor of  
International Business  
ESCE Paris



For some family businesses, digital transformation is a means of putting the world's economy on a sustainable footing by streamlining and modernizing the companies' operations to help fight climate change. For these businesses, sustainability and digitalization are interconnected, making digital technologies important sustainability enablers. Companies should adopt digital solutions as an integral part of their sustainability strategy in order to increase their efficiency, reduce costs and drive innovations in sustainable practices. In fact, digital solutions are already being fully incorporated into strategy discussions, especially for family businesses that see it as a potential differentiator or a key enabler to achieve other sustainability targets.

*"Technology is essential for tracking and reporting environmental dimensions, such as the reduction of companies' greenhouse gas emissions, circular economy management and water efficiency. Technologies are also critical supporting mechanisms for the social dimension, in terms of cyber security and the protection of customer, supplier and employee data."* Silvia Rimoldi, Partner, National KPMG Private Enterprise Leader, KPMG in Italy.

For other companies, digital transformation has been the basis for fundamental shifts in the business. Digital product and service innovations, for example, have helped some companies to make the transition from legacy "carbon era" businesses to "future-oriented" enterprises utilizing advances in technology that offer ground-breaking opportunities to monitor and protect the environment.

Companies must adopt digital solutions as an integral part of their sustainability strategy in order to increase their efficiency, reduce costs and drive innovations in sustainable practices. In fact, digital solutions are already being fully incorporated into strategy discussions, especially for family businesses that see it as potential differentiator or a key enabler to achieve other sustainability targets.

*"These businesses are typically faster, leaner, and more agile when it comes to identifying, prioritizing and implementing new technologies. Some, for example, are using digital tools and sensors to track and monitor their energy and water usage to optimize their resource consumption, and that also improves transparency and accountability in their companies' operations."* Jubran Coelho, KPMG Private Enterprise Leader for the South Americas Region and Brazil, KPMG in Brazil.

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Charismatic or transformational leadership style



Leadership style is often an important factor in business performance. Family businesses that are led by CEOs who have charismatic and transformational leadership styles rated higher on the sustainability index than companies with more authoritarian-style leaders.

Charismatic and **transformational leaders** also have a positive influence on digitalization levels. In particular, family businesses led by transformational leaders appear to have **higher levels of digitalization**.

## Key insight

### Leading from the top

“The sustainability strategy has to be driven from the top. If you want to change anything, it has to be held or owned by someone on the top leadership team. The person who owns it has to have the background and skills to support it and he or she also has to be seen throughout the organization as the obvious person to be in that role.”

#### Michael Donaldson

Executive Chairman

Donaldson Group — A 162-year-old, sixth-generation business; one of the UK’s largest, privately owned timber companies with over 1,700 employees the family governance structure. It’s the role of family and owners’ councils to consult with the board and provide their guidance.

Transformational leaders are also able to influence the basic values, beliefs and attitudes of their “followers”; making them willing to perform beyond the minimum levels that are required by the business. This is a critical factor in creating a more economic, environmental and socially sustainable world by lifting ordinary people to extraordinary heights and motivating them to perform above and beyond expectations.

In our experience, companies that are led by transformational leaders also typically deliver good financial results while also making long-term social and environmental progress, and they help to strengthen their family’s loyalty and identification with the business.

Charismatic leaders have a similar power of persuasion and they’re able to motivate their followers who often have a heightened sense of collective identity, feelings of empowerment and believe in the importance of the performance of the group as a whole.

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## Strong entrepreneurial mindset

Similarly, families that have maintained a strong **entrepreneurial mindset** are also inclined to have a holistic view of performance that includes economic goals as well as their environmental and societal impact objectives.

The entrepreneurial mindset of families in business is often one of their core competitive advantages because it enables them to identify and make the most of new opportunities, overcome challenges and act as an engine for innovation and transformational change.

Nurturing transgenerational entrepreneurship is typically a family priority because it's seen to be essential for developing innovations that will continue to bolster the competitiveness of the business while also sustaining the core principles and values of the family. In our 2022 report, '[The regenerative power of family businesses: Transgenerational entrepreneurship](#)', we described how the strength of the entrepreneurial orientation in a family business is one of the most important keys for unlocking its ability to continuously adapt, innovate and grow.

The same holds true when it comes to the sustainability agenda, where a strong entrepreneurial mindset — stretching across multiple generations — has similar performance power.

Quantifying *business* performance can be challenging in any company. And gauging the performance of a family business is even more complex. For the sustainability of the business, financial results are clearly important. But, also maintaining the founder's vision, a culture of entrepreneurialism and a reputation as responsible owners are of equal importance.

When it comes to the sustainability of the business, as well as its environmental and social impact, reputation is becoming more and more critical and it's captured in the actions of family businesses that are limiting their environmental impact — well beyond compliance — and educating their stakeholders as well. On the social side, many are increasingly adopting new hiring practices focused on minority groups, persons with disabilities and in achieving greater gender balance in senior management roles.

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## Forward-looking orientation



In Venezuela, family businesses are focused on surviving an economic crisis. For the long term, they recognize the importance of transforming their businesses, and adopting sustainable business practices and principles is part of that transformation. Looking ahead, some are taking the country's environmental, human rights and labor regulations and building them directly into their business operations with a sustainability context. I expect this will become more prevalent among product and service exporters who will face new regulations that are framed in sustainability and environmental, social and governance (ESG). In this way, the forthcoming regulations will likely help to accelerate many companies' sustainability actions as well as their competitiveness by creating business opportunities in entirely new markets.

**Alejandro Rangel Darauche**  
Tax Partner  
KPMG Private Enterprise  
KPMG in Venezuela



The world is faced with increasingly scarce resources, and family businesses that are **forward looking** in terms of their business and are **highly structured in terms of their governance** (such as having a formal board and family council) are able to apply their patient capital to long-term investments for the sustainability of their businesses and to the world.

They are able to evaluate the future benefits derived from investing in sustainability today. With a long-term vision, they are more inclined to support the current cost of sustainability investments because they see the opportunity to translate those investments into greater future economic performance.

As Héctor Dominguis, Chief Executive Officer of Spain's Grupo Dominguis Energy Services (GDES) described, *"In addition to developing long-term business plans, we plan for the generations that will follow as well, and we work diligently to leave them a better company. This is what has led us to make sustainability the centerpiece of our purpose. We want to leave them a more sustainable business and a better planet for future generations by helping to improve the environment, the economy and society as a whole. This is our central purpose. It makes sustainability more important than the purpose of growth – and it is embedded in our business to add value by providing sustainable services to our clients."*

As described in our previous report, "[Creating value through good governance](#)," family governance plays a particularly important sustainability role in maintaining a forward-looking view. By continuously supporting the shared purpose, principles and values of the family and the business, these practices open up opportunities to addressing important long-term questions, such as "Why are we doing this together?" and "What do we want to achieve for our business and our family today and in the future?"

Strong *business* governance practices are essential for making sure that effective business processes and control mechanisms are in place for achieving positive, long-term economic, environmental and social outcomes. Family governance serves a different, yet connected, purpose. Not only does it help to support a strong communication environment among family members, it also helps to define who the family is as a group and their long-term outlook for the future.

This long-term perspective enables them to evaluate the *future* benefits that may be derived from investing in sustainability *today*. And because they have a cohesive long-term vision, they're also more inclined to support the current cost of sustainability investments because they're able to see the opportunity for translating those investments into greater future economic performance. It's a dynamic process, and it helps family firms to continue to be 'fit for purpose' as the business, the family and the world around them evolves.

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# Lessons from the road



The family business leaders, academics and professionals who contributed to this report have provided a wealth of examples that bring to life both how — and why — family businesses have embarked on their sustainability journeys to achieve one or more of the three inter-connected goals:



A family business in Ireland’s utilities sector, for example, has developed an impressive strategy that integrates sustainability across the company’s business operations for the benefit of both its internal and external stakeholders. The business produces an annual sustainability report that details a range of initiatives and progress. It provides clear and ‘lived’ examples of the company’s commitment to its net zero carbon objectives and the circular economy initiatives that support employees who are interested in retrofitting their homes, with practical examples of what these initiatives mean for their business, their communities and the world.

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Partner  
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# Traveling down a winding road

From focusing on sustainability as a business imperative to preparing for new environmental regulations, here are some examples of the insights and lessons that family businesses have gathered on their travels along the road to sustainability.

## Sustainability as a business imperative

Family business leaders who contributed to the report described how sustainability is not something that runs parallel to their business. Here's how they described why it's a business imperative and embedded in their long-term goals.



### Integrating sustainability throughout the business

Sustainability is no longer something that happens in parallel to the business or as a complement to the business model. It has to represent the family and the way it does business. Otherwise, it doesn't work. This is a particular challenge for family businesses because it isn't just about creating economic, environmental or social value, but about creating family value today and for generations to come.

#### Luis Diaz Matajira

Professor, Universidad de los Andes — A private research university, consistently ranked as the best university in Colombia



### Sustainability as a business differentiator

We are very green-oriented. We have made investments to prove that, and it's being recognized by our customers. It's definitely a differentiator, and we can measure it in terms of sales. We still don't have it at a strategic level. There isn't as much legislation in Venezuela compared to most of Europe, and so the environmental aspect is not yet a central part of the business discussions. So, it takes a lot of effort to convince the board to keep doing this. We have a plan, but it isn't yet integrated with our overall business strategy. We are going in that direction, but we aren't there yet.

#### Lisandro Rodrigues,

Vice President, Automercados Plazas – The largest supermarket chain in Venezuela



### Why sustainability is good for business

Sustainability is not an add-on. It has to be properly woven into the fabric of the company's core culture. It's a key part of talent attraction, retention and succession. This is the biggest consideration for all businesses these days because the young people only want to work for organizations that look after their people, the environment and take proper care.

#### Rebecca Bonnington

CEO and Co-founder  
Tricres — A first-generation revolutionary coaching firm in the UK for small and medium-sized companies



## Bringing others on the sustainability journey

For some family businesses, it's important to pause and invite customers and others to join them on the sustainability journey and educate them about the actions the business is taking.



### Preserving our legacy as a social issue

It's interesting to hear so many comments about sustainability as a social issue, because this is where we are as a family and a business. In Spain, we are very family oriented – one of our workers has been in the company for 40 years; the second longest for 31 years; and others for 16 years or more. Twenty families depend on our business, and it won't be sustainable for them or for us if we don't work together to reduce waste and optimize our processes. It's about sustaining our legacy and it's important for everyone in the family and our company to understand 'that's why you are here'.

#### María Andreu

Director  
Ofival — A 49-year-old, 2nd generation office furniture manufacturer in Spain



### Bringing customers on the sustainability journey

For decades, Kilkenny Group has proudly worked with a community of local suppliers who share a passion and a commitment to being kind to our planet. Sustainability is one of our strategic pillars, and it is being built into every area of our business. Right now, the biggest challenge is looking for ways to manage the increased costs of sustainable packaging and recycling. And so, educating our customers and managing the potential increases in the cost of our products is going to be a large part of that. We see this as a new opportunity — to not only improve the environment, but to bring our customers along with us on the journey.

#### Marian O'Gorman

Chairperson  
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## Measuring and reporting impact

In some countries, regulatory compliance has been the primary driver of sustainability. With or without regulations, many business families described how they're making it a priority to measure their impact.



### Why it's important to measure what matters

My concern about the 'green' agenda as it currently stands is the greenwashing that a number of businesses seem to be adopting. We ask our businesses to start measuring what's actually going on in a practical sense so that we have something we can measure ourselves against going forward, and then see if there are some sensible actions that we can adopt. But it has to be economic. And you have to believe in what you're doing and be able to stand up and defend it when necessary.

#### Edward Iliffe

Chief Executive, Yattendon Group — A 145-year-old group of subsidiary companies operating in marine leisure, property and local media sectors globally



### Linking sustainability performance and remuneration

In recent years — more and more family businesses are including environmental and social metrics in their management remuneration systems.

This requires a long-term vision, relevant data and transparent reporting to aid understanding among different stakeholders. Having a clear and defined ESG strategy will be the fundamental starting point for developing metrics that link remuneration with achieving sustainability objectives.

#### Miguel Angel Faura Borruey

National KPMG Private Enterprise Leader Partner KPMG in Spain

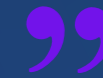


### Anchoring KPIs in decision-making

For many family businesses in Germany, the intergenerational development of their business model has been the primary driver, followed by market competition and rising customer expectations. Due to their long-term focus and responsibilities toward society, we expect to see the deeper integration of financial and non-financial sustainability KPIs in their steering models. They will put additional focus on sustainability KPIs in management reporting, planning and forecasting cycles, decision-making processes and management incentives.

#### Vera-Carina Elter

Managing Partner KPMG Private Enterprise KPMG in Germany



## The future of sustainability

Many family businesses highlight the need for urgent action with others in their industry, across industries and in their community to achieve collective impact.

### The need for urgent action now

Urgent actions are needed in order for our children to enjoy a healthy planet. But our individual efforts will have a limited impact on true sustainability. That is why we have to stretch beyond ourselves and increase the collective impact we can have on others through our businesses. This has made us realize that our purpose as a family in business should not focus only on future generations of our own family. Now we are putting sustainability at the center of our purpose with an ambition to have a larger impact on the sustainability of our clients and, ultimately, on the planet.

#### Héctor Dominguis

Chief Executive Officer, Grupo Dominguis Energy Services — A 90-year-old, third-generation energy markets industrial services leader in Spain with over 1,000 employees worldwide



### Growing the business with a sustainability focus

If you look at our company's journey over the past 20 years, our founder focused on survival for the first 12 years and how to grow the business to the next stage. As the business transitioned to the next level, it took a few years to recognize that the way we operated was not suitable for the next 20–30 years. Now, with a modern management team, we're looking at everything again and identifying the issues we need to address for the next 30 years. The critical question is, 'What will continue to make us proud to be part of this business?' Small, practical efforts are being made and now we're beginning to explore bigger and bolder projects. We are ready to show the world how much we can do as a medium-sized company.

#### Harmeet Ahuja

Group CEO Sunmark — A 27-year-old, UK-based marketer and global distributor of fast-moving consumer goods



### Making sure that sustainability is sustainable

For decades we've been working with local organizations; finding the best solutions for what the community needs; and where we can help them to help themselves. It's a messy journey, but we're on it and trying to do the right thing by bringing people with us. But we have to stay in business as well. The question regarding sustainability is, 'What is the best solution out there for a given issue?' It will continue to be messy for a while until the technology improves and makes many of these sustainability initiatives economically sustainable as well.

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Property development and investment group in Ireland, the UK and Europe



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# Why follow the family business route to sustainability?



## The potential benefits of the family business sustainability model

The concept of sustainability starts at the top with business owners who embed it in their companies' mission statements and in the core values of their businesses and their families.

Looking at sustainability through the family business lens, there are many tangible benefits of the family business approach that may be relevant and beneficial to businesses of all types.



### Value creation

While some companies regard sustainability through a compliance lens, most family businesses embrace it as an opportunity for significant value creation and competitive advantages.



### Increased customer loyalty

Today's customers expect companies to show that they care about their social and environmental impact, and they increasingly continue to do business with companies that demonstrate a strong commitment to people and the planet and the long-term sustainability of their own businesses.



### Environmental and social progress

Family businesses typically have unique relationships and reputations to uphold in the communities where they operate, and they recognize the need to continue to contribute. Long-term stewardship is a core value in many family businesses, and they believe they have an opportunity and an *obligation* to make the world better by advancing environmental and social progress.



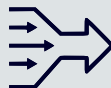
### Growing human capital

Tapping into the skills, knowledge and experiences of every generation of the family and its employees, family businesses are able to make faster progress on both their sustainability and digitalization objectives. Their reputation as strong advocates for social and environmental progress and the actions they take within their own businesses contributes to the attraction and retention of top-performing employees.



### Reducing costs by operating responsibly.

By using their own resources sustainably, family businesses have the potential to reduce their operating costs by cutting waste, reducing pollution and improving the long-term viability of their businesses.



### Increasing the access to limited sources of capital

Increasingly, banks and other financial institutions are taking a company's environmental exposure and performance into consideration. A strong sustainability record can make family businesses more attractive to future business partners, investors and bankers who are inclined to offer preferred financing and investment arrangements.



### Financial benefits

In addition to the social benefits of improving the environment and elevating human needs, family businesses also recognize the financial benefits of the increases in customer attraction and retention that result from the sustainability of their firm and the social and environmental impact they have as a respected brand.



### Mitigating risks

One environmental misstep can ruin years of dedication, hard work, good will and reputation. Environmental and societal stewardship can be an important risk mitigation step for the business as well as the family.

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# Putting sustainability on the strategic fast track



## Doing what’s right for generations to come

When it comes to sustainability, one of the key opportunities for family businesses is to maintain — and even enhance — their legacies by embracing the competitive advantages of being a sustainability-focused business.

In conversations with family business leaders, we heard how most family businesses were created by a founder who had a genuine *intention* to address real-world needs, combined with a financial *ambition* for themselves and their families.

This was the beginning of their entrepreneurial journey, and over time, new opportunities and challenges emerged. But even as the direction of travel may have changed, the original intent and ambition for the business and the family remained intact. The sustainability journey is no exception.

This is not an easy or a fast journey. It takes time and the right people to support, explain and promote the initiatives and potential changes, as well as the support of the owning family, the board and the leadership team.

For many, the starting point has been to engage family members from every generation — as well as independent board members — to map out the practical steps that can be taken to weave sustainability throughout the business strategy and to do so in a way that will have a meaningful and lasting impact.

Some begin by reflecting on the biggest thinking about the world’s biggest problems — such as the UN’s 17 sustainable development goals — and selecting those where their company can make real change and add value.

“

One company started its sustainability process by appointing resources and people to lead the effort. That included a member of the leadership team whose role at the beginning was to understand the organization from the bottom up; to identify the *implicit* sustainability efforts that the business was already undertaking; and to explain the advantages of making them *explicit* by connecting them to the day-to-day operations and research and development areas that were already part of the business strategy.

**Ana Gonzalez**

Assistant Professor of Management  
Director, Family Owned Business Institute  
Seidman College of Business  
Grand Valley State University

”

By aligning your people and your company with a cause that is much bigger than you, you have the opportunity to say ‘this is how we’re going to solve the world’s biggest problems in the next number of years’ — then align all of your sustainability programs and actions to that.

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## Paving the way to sustainability

As you prepare for the first or next phase of your sustainability journey, here are some guideposts and questions to consider.

- **Setting goals and milestones**

How can you and your family go about establishing concrete goals and milestones for the sustainability performance of your business and your environmental and societal impact?

- **Investing in technology**

Some family businesses may be high on the sustainability index, but they don't always have access to supporting data to measure and report on it. Are you prepared to invest in more advanced digital solutions to measure the impact of your sustainability efforts?

- **Taking a multi-generational journey**

Senior and younger generations may have different views on what sustainability means. How can you use this as an opportunity to open up conversations about wealth, purpose and social and environmental impact and give every generation a voice in the family's sustainability journey?

- **Encouraging fresh thinking and new ideas**

How can you encourage diverse views, capabilities and external perspectives about the business and its economic, social and environmental impact and its digitalization?

“

One family business in Greece that I'm familiar with has developed a three-layer sustainable development framework with: 1) links to the UN sustainable development goals (SDGs) to actively participate in the global efforts to tackle climate change and the national effort for transitioning to a low-emissions economy; 2) a focus on corporate responsibility by working responsibly to secure the "social license to operate"; and 3) the adoption of ESG metrics to measure their performance in a systematic and integrated way.

**Vangelis Apostolakis**

Deputy Senior Partner  
Head of Advisory  
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# Let a shared purpose be your guiding light

Large companies and small, privately owned and public, in mature and developing economies alike: all are expected to contribute to social and environmental progress in some way — whether large or small. The journey begins with a clear sense of purpose that is aligned behind a shared vision to create the kind of world we want for every generation.

This unwavering level of commitment is the guiding light that steers the actions of responsible businesses, individuals and organizations of every type. As a catalyst for innovation and growth, responsible actions will help communities across the world to rise up and fuel a global movement that creates a more equitable and sustainable future for everyone.

KPMG Private Enterprise and the STEP Project Global Consortium that the insights and practical experiences of the family business leaders who are represented in this report can contribute to your own smooth and successful journey.

Please contact us at [familybusiness@kpmg.com](mailto:familybusiness@kpmg.com) or [a.calabro@ipag.fr](mailto:a.calabro@ipag.fr) to share your insights and experiences.

KPMG Private Enterprise and the STEP Project Global Consortium welcome your comments on the report and your experiences and insights. We're particularly interested in hearing your views on the key success factors that have contributed to your progress and what you expect as you continue to travel down this road.

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The STEP Project Global Consortium is a global applied research initiative that explores family and business practices within business families and generates solutions that have immediate application for family business leaders. The STEP Project Global Consortium aims to be a leading global family business research project with an international reputation. The research insights are specifically drawn to be of relevance to developing new theoretical insights that can offer novel and valuable best practices recommendations to the business stakeholders and the practice community at large. Having a global worldwide orientation, the STEP Project Global Consortium offers networking opportunities for researchers, family business owners and consultants coming from five continents.

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