Institute for Sustainable Family Business

Sustainability Board Preparedness in Large Public Family Businesses

2024 Global

part of

The Sustainability Board

Introduction

Boards of Directors are ultimately responsible for the long-term success of companies they govern. This success is intrinsically linked to sustainability - we strive to prolong and expand whilst mitigating harm.

Our research is focused on assessing boards' sustainability preparedness, reviewing sustainability oversight and governance structures, as well as the directors' personal sustainability engagement. This is referred to as ESG-engaged in the following pages.

We do this through evaluating whether boards have formalised sustainability oversight as part of their duties, established a sustainability committee or delegated sustainability to another committee. We further assess the materiality and quality of their oversight policy, and screen for board diversity, committee composition, and individual director engagement on sustainability issues. We define ESG-engagement as either being sustainability conscious - that is having awareness and knowledge of issues, or being sustainability competent - the capacity to act on issues.

Throughout years of regular engagement with non-executive directors, chairs, and business leaders we have found that **family businesses** take a more ESG-engaged approach to sustainability preparedness, driven by the controlling families' visions that their businesses play an important part in shaping a more responsible future.
The **Institute for Sustainable Family Business** (ISFB) is a new initiative by **The Sustainability Board** dedicated to transforming these visions into reality.

Our mission is to empower family business-owners, executives, and boards with the tools, knowledge, and networks necessary to lead the charge in sustainable business and governance.

Our approach is to provide research, insights and programmes designed to integrate sustainable practices seamlessly into the unique dynamics of family businesses.
Through The Sustainability Board, the Institute for Sustainable Family Business has access to leading experts in sustainability, leadership, corporate governance, and an extensive network of CEOs, non-executive directors and chairs, academics, and advisors.

The launch of the institute is accompanied by this follow up report on **large family business[1] sustainability preparedness**, first run in 2020 with new important findings coming to light.

[1]As in 2020, our sample for this report are the 100 largest publicly listed companies as per the University of St. Gallen and EY [Family Business Index](). The ranking includes only public businesses where the family holds at least 32% of the voting rights. The index also lists private family businesses which are out of scope for our assessment.

Foreword

In 2019, when we began our reporting cycle, a mere 54 of the 100 largest global companies had clearly defined sustainability oversight, with 16% of directors being ESG-engaged. After seeing only modest gains in 2020, we wanted to understand how different ownership structures might affect sustainability preparedness of boards.

Our special report on publicly traded family business in 2020 revealed that sustainability oversight was lagging behind in comparison to our default sample of the Top 100 Forbes 2000 which contains mainly non-family businesses. However, directors on family boards were **twice** as likely to be engaged on sustainability than those in our default sample.

Fast forward to 2024 and we find three key themes that have evolved:

1. **Family businesses have raced to align their sustainability oversight, rising from 42% of boards with stipulated accountability in 2020 to 71% in 2024**

2. **The sustainability engagement of family business directors is now level with our default sample at 43%**, which points to a global engagement ceiling regardless of ownership structure

3. **Sustainability engagement of directors in family businesses is significantly more gender agnostic.** In our default sample women are 64% more likely to be ESG-engaged, while on family boards it's only 20%. Controlled on overall board and committee level, women are leading on the topic in both, but on family boards men are much more engaged.

These findings point to the continued leadership of family businesses in making sustainability core to their culture. The specific attributes of family businesses can help explain the reasons for their leadership. They can be nimbler, and keep decision making and execution on their vision, close.

The element of control can be distinguishing, particularly when considering long-term opportunities and risks. Many non-family businesses may have aspirational visions towards social and environmental issues but are constrained by unaffiliated shareholders seeking more immediate financial gain. Family businesses tend to think in generations.

In summary, non-family businesses can learn a lot from their family peers. Most obviously the courage to think long term.

Michael Reed
Director, ISFB
Senior Advisor,
The Sustainability Board

Frederik Otto
Executive Director
The Sustainability Board

Findings at a Glance

Our 3 key findings

The world's largest public family businesses'

1. **Have raced to align their boards for sustainability oversight**

2. **Directors were engaged early in sustainability and have now reached an apparent engagement ceiling**

3. **Individual board leadership in sustainability is significantly more gender equal than in non-family businesses**

1. Sustainability governance has increased significantly

71%

↗ up from 42%
in 2020

of companies with board oversight and a relevant committee

25%

↗ up from 15%
in 2020

of directors are members of a relevant committee

In 2020, only 42% of businesses had a board policy for sustainability oversight, now standing at 71%. Within the default sample[1], the percentage was 63%, reaching 88% by 2023.
This is a relative improvement of 40%, compared with 69% in family businesses (to Q1 2024).

Sustainability oversight is primarily measured by the presence of a board committee that addresses sustainability, or environmental, social, and governance (ESG) issues in its charter. We also source some of this information from proxy statements, corporate governance, and annual reports.

As with our default sample, we often see dramatic differences in disclosure between these documents. That means that a somewhat comprehensive approach to governance stipulated in the sustainability report might not translate into the relevant committee charter, or other documents, or vice versa.

Further, we see a significant increase in participation of the whole board in relevant committees. **Every fourth director is now a member of a relevant committee, compared to only 15% in 2020.**

[1]Constitutes our annual default sample, updated yearly to reflect the current Top 100. In 2023, this sample contained 10 family businesses that were also part of the sample in this report.

2. Individual directors' early leadership in sustainability engagement is now slowing

43%

↗ up from 34% in 2020

of directors on relevant committees are ESG-engaged

47%

of relevant committee chairs are ESG-engaged

Another important metric is the ESG-engagement of directors responsible for sustainability oversight. We define 'ESG-engagement' as either being ESG-conscious - that is having awareness and knowledge of issues, or being ESG-competent - the capacity to act on issues. This is assessed through a checklist – see methodology from page 20.

From 2020 to 2024, ESG-engagement of directors rose from 34% to 43%. This is now level with our default sample which saw a rise from 17% in 2020 to 43% in (Q3) 2023.

The data also suggests a possible stagnation of sustainability engagement, and future studies will determine if we are approaching an 'engagement ceiling' where fewer than half of directors engage in sustainability governance.

Family boards' relevant committee chairs also have an almost level ESG-engagement at 47% compared to 46% in the default sample. **Committee chairs should arguably outperform committee members in sustainability engagement.**

3. Women lead sustainability engagement, with men closing in

Overall, female directors in family businesses are

20%

more likely to be ESG-engaged

30%

↗ up from 24% in 2020

of all directors are women

Sustainability engagement of directors in family businesses is significantly more gender equal than in our default sample. Women have led the leadership on sustainability governance for years, being 64% more ESG-engaged than their male peers in 2023.

This is only 20% in family businesses. The percentage is relative to all board directors. Controlled on committee level 44% of women are ESG-engaged compared to 42% of men. It's 53% of women and 37% of men in the default sample.

This suggests, while women in family businesses may be less engaged in absolute terms compared to those in the default sample, they maintain a higher or similar level of engagement relative to men.

The overall board diversity has also risen from 24% in 2020 to 30% in 2024, which is close to the default sample at 32%.

Sustainability management experience is a key driver for ESG-engagement on family boards

The engagement of directors with sustainability criteria is evaluated using a checklist, which assesses them based on three distinct criteria (see page 25). A director is considered ESG-engaged if they meet at least one of these criteria.

120 of 282 directors tasked with oversight are ESG-engaged. 88% of them due to their corporate experience in sustainability strategy.

We also look at whether directors are members of a relevant non-profit organisation dedicated to industry material sustainability issues.

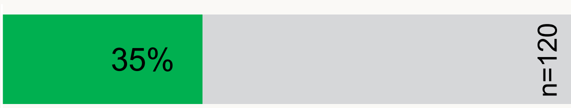
The share of directors who satisfy this criterion is significantly lower at 35% compared to the default sample's 53%.

Like the default sample, the criterion with the least representation is 'formal sustainability certifications or credentials'. **However, it is slightly higher in family businesses, with 11% of directors meeting the criterion compared to 7%.**

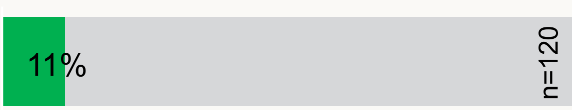
Within this category, we also include lecturers, professors, and other faculty members who teach sustainability topics.

ESG Engagement Drivers:

Business Experience
Executive or board experience actively involved in sustainability strategy or governance



Non-Business Experience
Board member of a business material non-profit organisation, foundation, or charity, or fellowship of an international campaign body



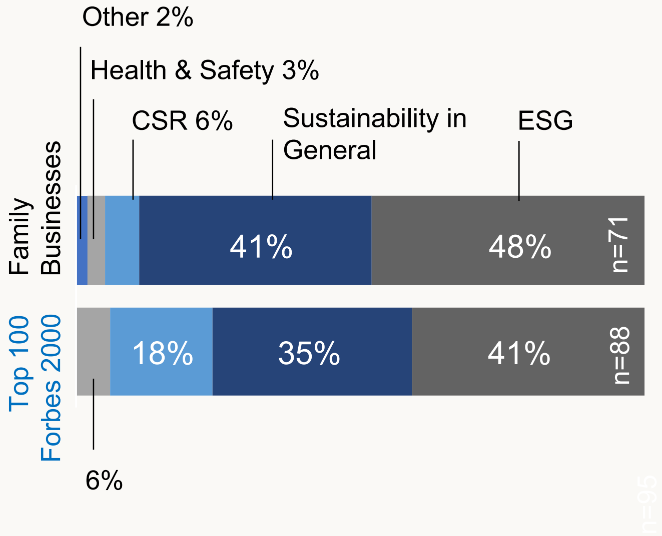
Education & Thought Leaders
Formal ESG/sustainability certification/accreditation or published paper, research, book, or report in the area, or teaching capacity

Most family boards dedicate a committee to sustainability oversight

We assess the presence of board sustainability or ESG policy through the presence of a relevant board committee that stipulates such issues in its committee charter, proxy, corporate governance, or annual report.

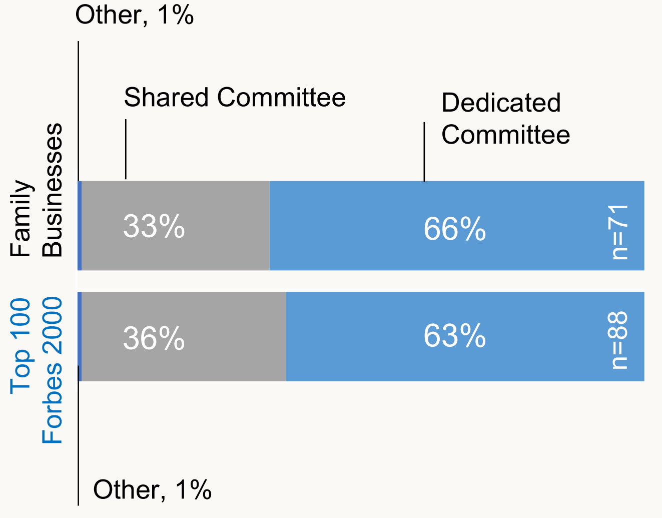
So long as sustainability oversight is clearly stipulated in their policies these are referred to as ’relevant committees’.

We then screen the policy (mostly committee charters) for narrative. There are four options: Health & Safety: Primarily focused on technical labour safety. CSR (Corporate Social Responsibility): Mainly focuses on employee well-being in a corporate setting. Sustainability in General: Does not exclusively detail ESG factors. ESG (Environmental, Social, Governance): Abbreviated or fully spelled out.



Narrative of Relevant Committee’s Charter

Family businesses' committee charters read more material than those in our default sample. Family businesses mainly rely on either a sustainability or ESG narrative, whereas business in our default sample still use some more CSR and H&S language.



Committees tasked with Sustainability Oversight

The divergence of structuring sustainability oversight between family businesses and our default sample is insignificant. In both, approximately 2 out of 3 boards regardless of ownership structure rely on a dedicated committee. Shared committees that have oversight of sustainability besides other topics, are typically the governance, nomination, risk, or audit committee, or a combination of them.

Recommendations

Recommendations

As mentioned in our foreword, large family businesses appear to be making sustainability core to their culture. This is mostly due to their specific attributes, such as nimbler decision making, but also generational demands in succession. It is likely that the generation following on the patriarch or matriarch has a different vision of how the family business can contribute positively to society and the planet.

To continue the sustainability engagement and break through the apparent 'engagement ceiling', different leaders within the family business ecosystem have different responsibilities driving this leadership.

The following recommendations may be useful when structuring the approach to the family's sustainability vision.

If you are a family member *on the board:*

- Communicate your family's values and legacy with the rest of the board and management. Values can take many forms – you can use the UN SDGs as a basis for discussion. It is important to acknowledge the 'family values' that should be reflective of the entire family's vision rather than any single member's

- Create a set of key sustainability focused issues to be implemented into core business strategy

- Include subject matter experts, such as the Chief Sustainability Officer, or an external advisory board to formulate how the vision embeds into the corporate strategy

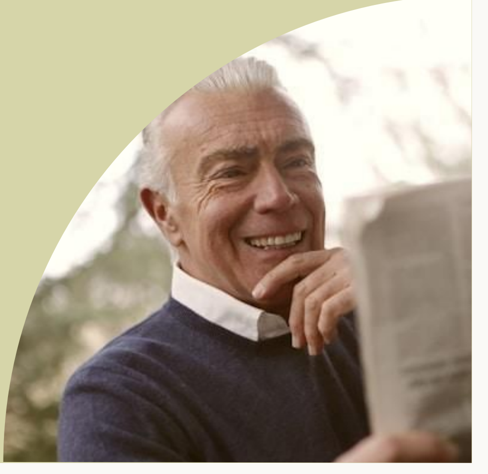
- Be ESG-engaged and encourage the other board members to upskill if need be

- Set KPIs around sustainability as board targets

Recommendations

If you are a controlling family member *off the board:*

- Use your advisors and individual board members to make sure the board is aligned on the family's priorities and focus issues
- Clarify the board's level of expected rigidity when overseeing the implementation of the vision
- Define non-negotiables, and where flexibility lies



If you are the *CEO* or executive director and *part of the family:*

- Take advice from the Chief Sustainability Officer and potentially external advisors or an advisory group on the best ways to implement the family's vision
- Tie the family's vision to the corporate purpose and showcase positive impacts in employee townhalls, and stakeholder meetings
- Communicate the family's vision in an investor-grade context when engaging with non-family shareholders

Recommendations

If you are a *non-executive* director and *non-family member on the board:*

- When interviewing for the board role, expand on the value that you provide to the family's vision
- Commit to the family's sustainability vision and dedicate effort and involvement in stakeholder engagement to communicate the vision to people outside of the board and management
- If you are the chair or committee chair, mandate a sustainability governance and/or effectiveness review as well as a directors' skills matrix to align the business' material issues with the family's vision

Recommendations

If you are the *CEO* or executive director and *not part of the family:*

- Explain the feasibility of the family's vision and investment requirements as well as alignment with industry materiality to family members and the board
- Understand impacts on other financial and non-financial factors when implementing sustainability vision to set expectations with the family
- Appoint or empower the Chief Sustainability Officer, or equivalent role, to advise the board on technical attributes of the family's vision

Overall recommendations:

- Develop Key Performance Indicators (KPIs) related to the vision accessible to key decision makers and the board
- Monitor stakeholder engagement through a dashboard
- Regularly update the family on progress, investment requirements, and trade-offs
- Be realistic on timelines, and stay within the realms of materiality

Risks

All companies are increasingly confronted with sustainability risks, be they of political, regulatory, environmental, or societal in nature.

Causing environmental harm leading to losses and damages is not acceptable anywhere. Some countries are cracking down on companies engaging in greenwashing or making false sustainability claims.

Navigating these risks highlights the importance of accountability in company boardrooms.

Legal challenges may persist for years, but achieving net zero targets will require companies to integrate externalities into their cost structures or offset negative impacts through biodiversity and carbon credits.

While all companies face sustainability risks, family-owned businesses are particularly vulnerable. Concentrated control, the imperative to uphold family reputation, and the responsibility to preserve legacies for future generations amplify their exposure to risk.

Family-owned businesses jeopardise not only their positions but also their personal fortunes.

Our recommendations

- Consider Key Risk Indicators (KRIs) as well as Key Performance Indicators (KPIs)
- Ensure that risk expertise is present at the table
- Increase the number of ESG-competent directors
- Add directors with specific specialties or skills based on the sustainability risks that the company may face

Extended Data & Historical Comparison

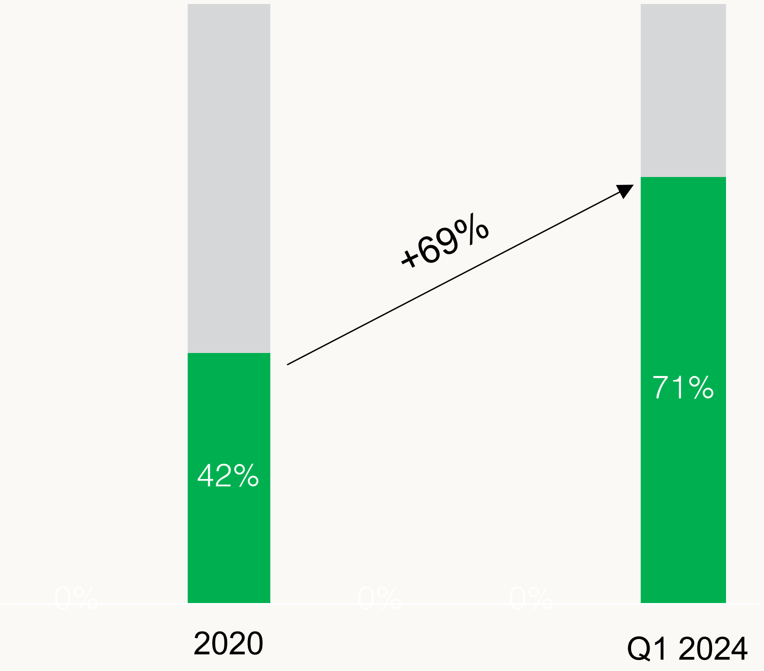
2024 Total sample drill-down

	Top 100 Public Family Businesses	Default- Top 100 Forbes 2000
Total # of directors of assessed companies	**1,118** (down from 1,167)	1,256
Total # of female directors	**331** (↗ up from 284)	403
# of relevant committees	**71** (↗ up from 42)	88
Total # of directors on relevant committees	**282** (↗ up from 173)	396
# of female directors on relevant committees	**94**	137
# of male directors on relevant committees	**188**	259
# of ESG-engaged directors on relevant committees	**120** (↗ up from 59)	169
# of ESG-engaged female directors on relevant committees	**41**	73

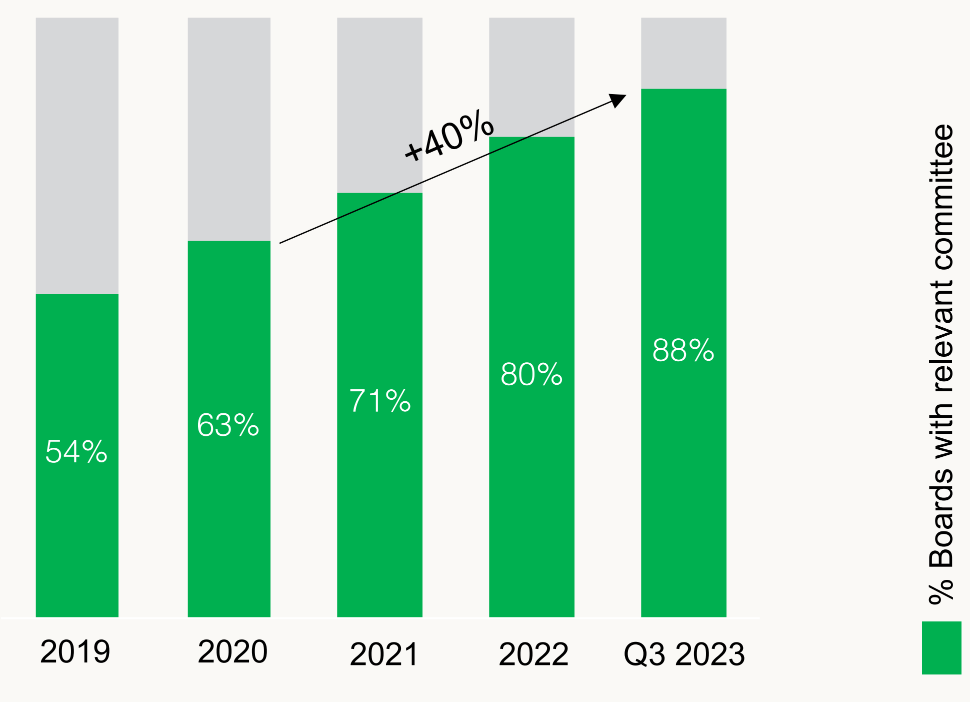
↗ vs 2020

Historic comparison

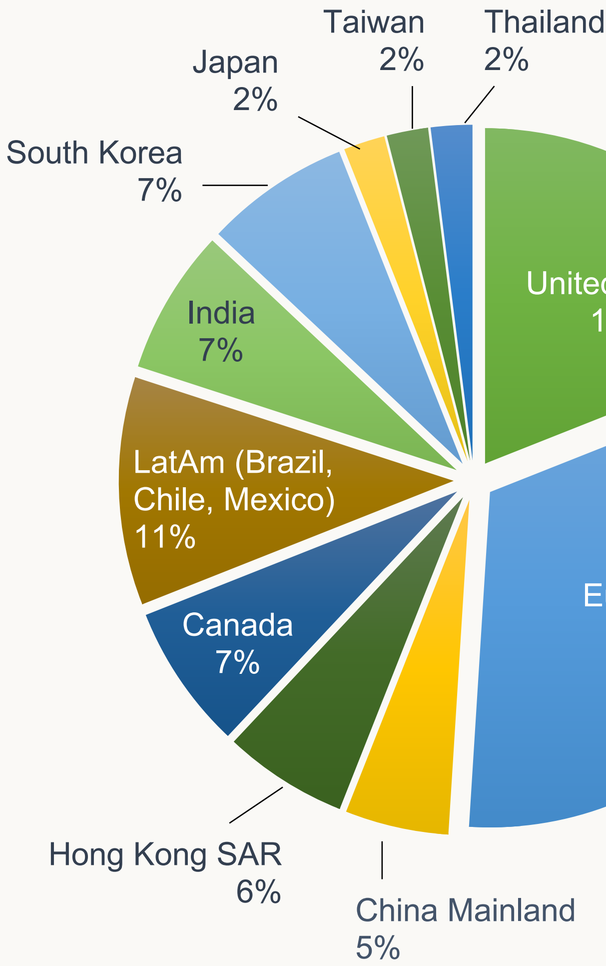
Relevant Committees Top 100 Public Family Businesses



Relevant Committees Top 100 Forbes 2000

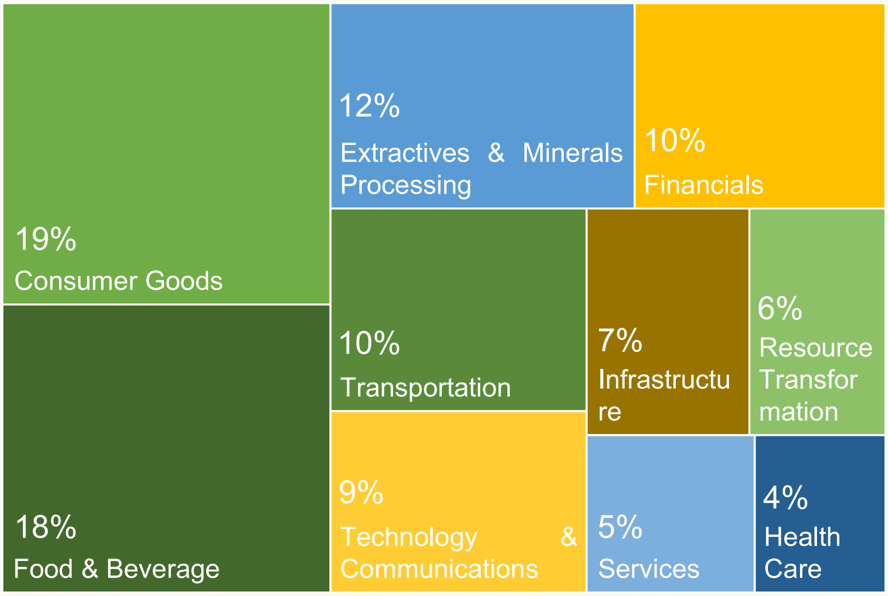


Geographical scope of our sample



*A detailed list of companies and countries, can be found on the next two pages

Industry sector



List of assessed companies

Global

Company	Country	Industry
Colruyt	Belgium	Food & Beverage
Anheuser-Busch InBev	Belgium	Food & Beverage
Marfrig Global Foods	Brazil	Food & Beverage
Metalúrgica Gerdau	Brazil	Extractives & Minerals Processing
JBS	Brazil	Food & Beverage
Banco Bradesco	Brazil	Financials
Saputo	Canada	Food & Beverage
Canadian Tire Corp	Canada	Consumer Goods
Rogers Communications	Canada	Technology & Communications
Fairfax Financial Holdings	Canada	Financials
Empire Co	Canada	Food & Beverage
Power Corp. of Canada	Canada	Financials
George Weston Company	Canada	Food & Beverage
SACI Falabella	Chile	Consumer Goods
Cencosud	Chile	Food & Beverage
Antarchile	Chile	Financials
Logan Group Company	China	Infrastructure
New Hope Liuhe	China	Food & Beverage
China Hongqiao Group	China	Extractives & Minerals Processing
Country Garden Holdings	China	Infrastructure
Midea Group	China	Consumer Goods
AP Moeller/Maersk Group	Denmark	Transportation
KONE	Finland	Resource Transformation
Hermes International	France	Consumer Goods
Kering	France	Consumer Goods
Bolloré	France	Transportation
Sodexo	France	Food & Beverage
L'Oréal	France	Consumer Goods
Casino Guichard Perrachon	France	Food & Beverage
LVMH Moet Hennessy Louis Vuitton	France	Consumer Goods

Company	Country	Industry
Merck KGaA	Germany	Health Care
Henkel	Germany	Consumer Goods
Porsche Automobil Holding	Germany	Transportation
BMW Group	Germany	Transportation
Motor Oil (Hellas) Corith Refineries	Greece	Extractives & Minerals Processing
Orient Overseas (International)	Hong Kong	Transportation
Jardine Matheson Holdings	Hong Kong	Consumer Goods
Swire Pacific	Hong Kong	Infrastructure
Shimao Property Holdings	Hong Kong	Infrastructure
China Light and Power	Hong Kong	Infrastructure
CK Hutchison Holdings	Hong Kong	Health Care
Wipro	India	Technology & Communications
HCL Technologies	India	Technology & Communications
JSW Steel	India	Extractives & Minerals Processing
Bharti Airtel	India	Technology & Communications
Rajesh Exports	India	Extractives & Minerals Processing
Tata Motors	India	Transportation
Reliance Industries	India	Infrastructure
EXOR	Italy	Financials
Idemitsu Kosan	Japan	Extractives & Minerals Processing
Fast Retailing Co.	Japan	Consumer Goods
Arcelor Mittal	Luxembourg	Extractives & Minerals Processing
Alfa	Mexico	Extractives & Minerals Processing
Grupo México	Mexico	Extractives & Minerals Processing
Grupo Bimbo	Mexico	Consumer Goods

List of assessed companies

Global

Company	Country	Industry
America Movil SA de CV	Mexico	Technology & Communications
Heineken Holding	Netherlands	Food & Beverage
Randstad Holding	Netherlands	Services
Aker ASA	Norway	Financials
Jeronimo Martins	Portugal	Food & Beverage
Meritz Financial Group	South Korea	Financials
Hanwha Corporation	South Korea	Resource Transformation
SK Corp	South Korea	Resource Transformation
Doosan Heavy Industries & Construction	South Korea	Resource Transformation
Lotte Shopping	South Korea	Consumer Goods
CJ Corp.	South Korea	Food & Beverage
LG Corporation	South Korea	Technology & Communications
Industria de Diseno Textil (Inditex)	Spain	Consumer Goods
H&M Hennes & Mauritz	Sweden	Consumer Goods
Investor AB	Sweden	Financials
Schindler Holding	Switzerland	Resource Transformation
DKSH Holding	Switzerland	Services
Richemont	Switzerland	Consumer Goods
Kuehne + Nagel International	Switzerland	Transportation
Roche Holding	Switzerland	Health Care
Evergreen Marine Corporation	Taiwan	Transportation
Formosa Petrochemical Corp	Taiwan	Extractives & Minerals Processing
Indorama Corp	Thailand	Resource Transformation
CP All Public Co.	Thailand	Food & Beverage
Koc Holding	Turkey	Extractives & Minerals Processing
Liberty Global	United Kingdom	Technology & Communications
Icahn Enterprises	United States	Transportation

Company	Country	Industry
Hormel Foods Corp.	United States	Food & Beverage
Dick's Sporting Goods	United States	Consumer Goods
Rocket Companies	United States	Financials
Fox Corporation	United States	Services
Paramount (form. ViacomCBS)	United States	Services
Universal Health Services	United States	Health Care
Lennar Corporation	United States	Infrastructure
Estee Lauder Companies	United States	Consumer Goods
The GAP	United States	Consumer Goods
Marriott International	United States	Services
Enterprise Products Partners	United States	Extractives & Minerals Processing
Nike	United States	Consumer Goods
Tyson Foods	United States	Food & Beverage
Dell Technologies	United States	Technology & Communications
Ford Motor Company	United States	Transportation
Comcast	United States	Technology & Communications
Walmart	United States	Food & Beverage
Berkshire Hathaway	United States	Financials

Methodology

Methodology

Board Sustainability Policy Assessment

All data were collected in Q1 2024 and taken from the assessed companies' websites. Since all businesses are publicly listed, the publishing of their corporate governance policy is a legal obligation.

The proxy used for ESG preparedness at board level is the presence of a relevant board committee that stipulates ESG issues in its committee charter, or proxy statement, corporate governance guidelines, or annual report.

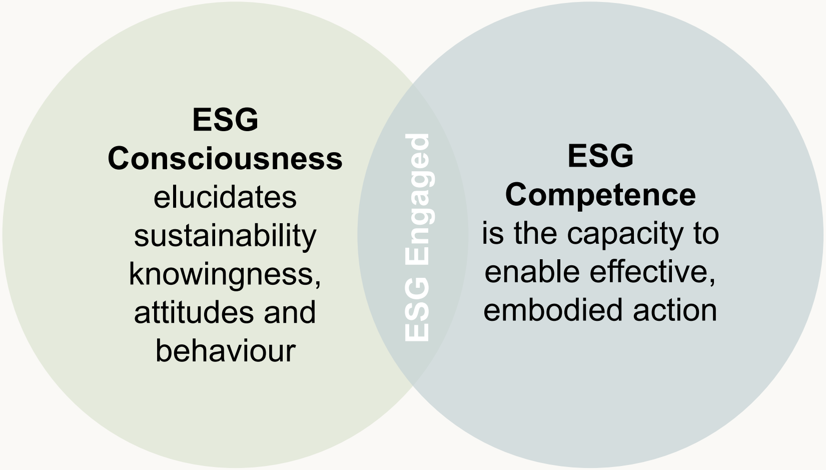
Terminology for 'sustainability committee' varies. Some committees are named 'ESG' or 'CSR' committee.

Some sustainability responsibilities are part of shared or common committees such as Corporate Governance, Nomination, Risk, Audit, or Public Policy/Affairs committees.

So long as sustainability oversight is clearly stipulated in their policies (mostly committee charters), these are referred to as 'relevant committees'. Businesses that do not disclose any sustainability policy or do not detail which individual directors have oversight responsibility do not qualify for the directors ESG-engagement assessment. Directors must be assigned to a relevant committee to qualify.

ESG Engagement

Our report includes two measures of ESG-engagement, that is being ESG conscious - having awareness and knowledge of issues or being ESG competent - the capacity to act on issues.



Methodology

Directors' ESG-engagement was assessed against a checklist:

1. **Business Experience**
   Executive or board experience actively involved in sustainability strategy or governance

2. **Non-Business Experience**
   Board member of a business material (under SASB) non-profit organisation, foundation, charity, or fellowship of an international campaign body

3. **Education & Thought Leaders**
   Formal sustainability accreditation or relevant published paper/research/book/, or teaching capacity

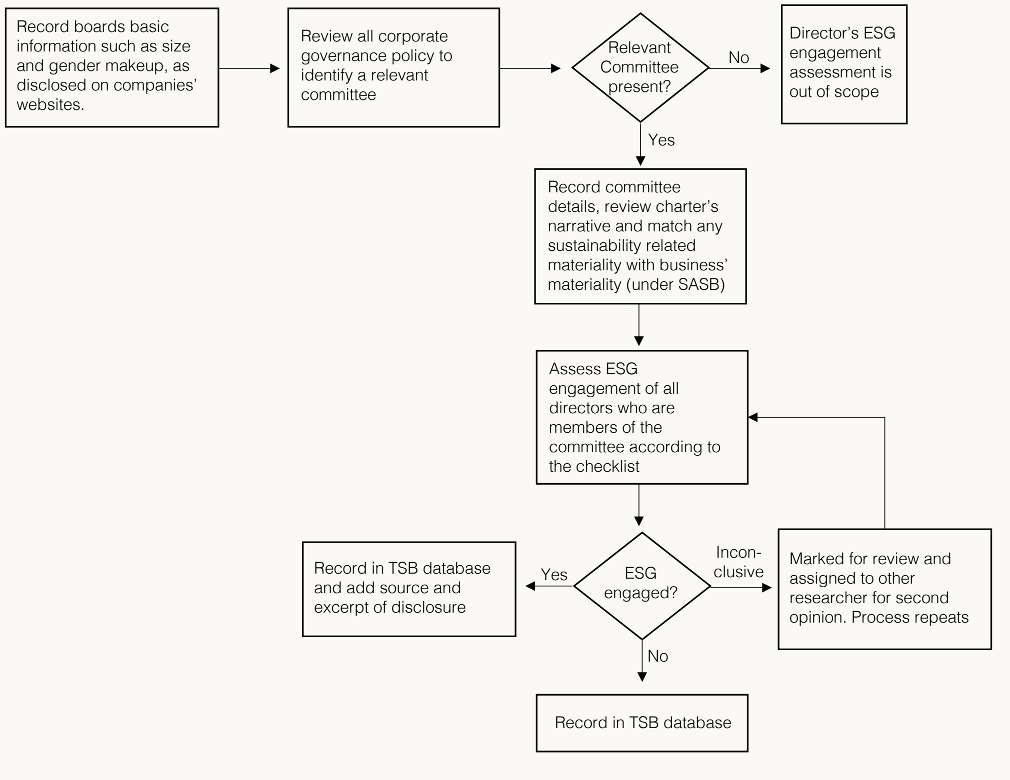
Examples

1. Published interviews with individuals expressing details about their approach to ESG/sustainability, sustainability report foreword, or e.g. published speeches or strategy

2. WEF (most common), UN Global Compact, CECP, WBCSD, think tanks with sustainability focus

3. GCB.D, Diligent Climate Certificate, TSB SLPP, publication on recognised forum, author of a relevant book

Assessment Sequence and Process



About

The Sustainability Board

The Sustainability Board (TSB) is an independent think tank that aims to advance sustainable leadership and corporate governance.

- Within our Research Centre we create reports and analysis for effective leadership and governance.
- Our Thought Leadership provides valuable insights and perspectives on the latest trends and issues in systemic changes and sustainability engagement
- Our Sustainable Leadership Preparedness Programme, creates the foundation for leadership up-skilling, networking, and organisational ESG preparedness.
- TSB Global Advisors empowers boards to achieve sustainability preparedness by closing governance and leadership gaps with our unique advice and intelligence.

Learn more under
www.sustainability-board.org

About

Institute *for* Sustainable Family Business

At the heart of a sustainable future lies a core truth: businesses are pivotal in shaping a more responsible future. Family Businesses are uniquely positioned to take a leadership role in a new paradigm of doing business.

Our mission is to empower family business owners, executive leaders and boards with the tools, knowledge, and networks necessary to lead the charge in sustainable business and governance.

Our approach is to provide research, insights and programmes designed to integrate sustainable practices seamlessly into the unique dynamics of family businesses.

Through The Sustainability Board, the Institute for Sustainable Family Business (ISFB) has access to leading experts in sustainability, leadership, corporate governance, and an extensive network of CEOs, non-executive directors and chairs, academics and advisors.

Institute *for* Sustainable Family Business

For all enquiries, please contact us via email.

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