



Polaris

Shaping the Future

We Want

Volume 4 – Accelerate the Movement

October 2018

A Sustainable Future

Without a sustainable approach our future is at risk. Not just the future of our businesses but, we also risk the lives and livelihoods of generations yet to come. This is why we, The International Board of the Family Business Network, are reaffirming our promise to promote a business model that will sustain not only our own generation, but all those that follow us.

The benefits of a sustainable approach are apparent to us all: the responsible use of capital is a powerful force for good and with corporate stewardship comes corporate advantage. Businesses that achieve great things deliver greater financial results, but these issues we face are more pressing than immediate financial return.

To provide future generations with more than we have received ourselves is a deep-seated human ambition. It is found in all walks of life, but it is in family owned businesses that inter-generational thinking is intrinsic. We believe that our inherent understanding and appreciation of legacy brings an obligation to support and promote a sustainable future in all that we do. As custodians of tomorrow, we believe that it is our duty to act now by making these pledges:

For our People:

We pledge to do all that we can to create and nurture workplaces and working cultures where our people flourish.

For our Communities:

We pledge to be responsible global citizens making positive contributions to the communities that we work and live in.

For the Environment:

We pledge to search for ways to have a positive ecological impact and contribute to a flourishing environment.

For Future Generations:

We pledge to share our values and long-term aspirations with future generations.

We know that these are bold promises and we do not make them lightly. But in order to protect all that we have done and create a sustainable future, where our work lives on, they are vital. We call on all family owned businesses, worldwide, to take responsibility for the future of our children and our children's children.

Please join us in our pledge.

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Farhad Forbes

Peter Therman

Priscilla de Moustier

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Eliane Garcia Melgaço

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PRELUDE

In 2011, the FBN leadership pledged to promote a business model that would sustain present and future generations. In 2014, we introduced Polaris – a framework to deliver on the Pledge and a movement of members championing *Family Business as a Force for Good*. This year's Polaris publication celebrates the fourth dimension of the FBN Pledge – Future Generations. And indeed, we take our hats off to our Next-Gen Champions who are leading the Polaris charge in exciting chapter destinations including Aix-en-Provence, Budapest, Bogota, Chennai and Ruka, Lapland.

In keeping with the spirit of learning with and across generations, this year's Polaris Impact Forum hosted by Elena Zambon in Milan, embraced all FBN members. A great deal of work by the Programme Committee*, generated huge engagement from the participants, and consolidated much of the thinking about messaging, practices and processes that have been taking place across the network – that doing good is good for business, market opportunities aligned with the Sustainable Development Goals (SDGs) and the need to embrace change to build resilient, future-fit family businesses.

What also became apparent was that individual families aspire to different levels of engagement with the Polaris movement, hence we are broadening opportunities for participation. We know that most families are on the journey, but their distance travelled and destinations will be different.

At one level, there are now close to 300 families that have registered for the **Polaris Impact Assessment (PIA)**, customised 'by families, for families' in partnership with B Lab. This covers the whole agenda of business with

purpose, with a special section on family governance and engagement. One of the chief merits of the PIA is that it helps family businesses be more responsible and resilient. The PIA is a framework and measurement system for FBN members and we encourage all of you to take the first step if you have not already done so.

The information gained through this process gives us the opportunity to engage with more families via webinars and chapter events on a variety of themes. Within the Polaris Community we have built a methodology of small Polaris Peer Groups (PPG), which can jointly share and build knowledge in their selected areas. These peer groups could be international in membership, or individual chapter driven.

I am delighted to inform you that significant success has been achieved in raising the family business profile amongst opinion formers. This includes representation at the UNCTAD World Investment Forum in Geneva this October, dialogue with impact organisations like Ashoka, Forum for the Future and Volans, and participation and support for the Research on Business with Purpose being undertaken by the Saïd Business School at Oxford University. This year's Polaris publication also features contributions from global thought and practice leaders including John Elkington, Dennis Jaffe, Colin Mayer and Jose Manuel Entrecanales among others.

We thank all of you for your participation and welcome any insights you have on furthering the movement as we work to build cohesion, deepen the sense of purpose within our community, and shape the future we want.

Andrew Wates

Chair, Polaris Committee

*** Programme Committee**

Albert Jan Thomassen and Jonny Wates (Co-chairs)
Andrea Pinto, Ayse Unluturk, Brigitta Deak, Caroline Seow, Georgina Stal,
Desiree van der Kaaij, Risto Väyrynen, Simon Torres and Winson Yeung

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What is *polaris**

Polaris is a global movement of family businesses focused on maximising economic, social and environmental impact. We enable learning, innovation and co-creation – empowering family businesses to *Shape the Future We Want* for people, communities, the environment and future generations.

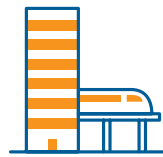


Why Should I Get Involved?

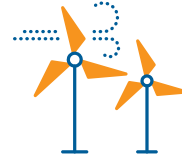
\$12 trillion in new business opportunities



Food & agriculture
\$2.3 trillion



Cities & urban mobility
\$3.7 trillion



Energy & materials
\$4.3 trillion



Health & well-being
\$1.8 trillion

Delivering market solutions that benefit society in key economic sectors

Purpose-driven companies deliver positive performance*

Increase revenue by up to
20%



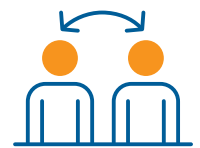
Reduce cost of debt by at least
40%



Increase company valuation by
40% - 80%



Decrease staff turnover by up to
50%



*Project ROI, IO Sustainability, 2015

Family businesses are uniquely positioned to lead change

Represent



of all companies

Employ



of workforce

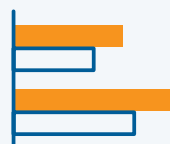
Contribute over



to GDP

How Do I Start?

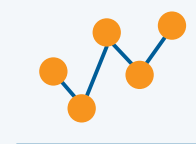
Take the *Polaris Impact Assessment* tailored for family businesses.



Get a Baseline:
Assess how you perform – governance, employee, community & environmental impact.



Compare your Impact:
See how you stack up against thousands of other businesses.



Improve your Performance:
Create a plan to enhance your family business' practices.



Join a Polaris Peer Group:
Accelerate your impact by learning with your peers.

Join our global movement – Family Business as a Force for Good

POLARIS – SHAPING THE FUTURE WE WANT

by Caroline Seow

We are living in a VUCA world – Volatile, Uncertain, Complex and Ambiguous. From climate catastrophes to disruptive technologies to political uncertainty – the future is chaotic and volatility is here to stay. Enlightened business leaders know that in a fast-changing marketplace, what counts as best-in-class leadership today may not cut it tomorrow. The rapid development of new trends and technologies is upending markets and disrupting traditional businesses and whole industries. As renowned futurist Alvin Toffler asserted,

“The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.”

Global Risks

To be relevant and resilient, family businesses need to be cognizant of the risks, disruptions and trends. In their 2018 *Global Risks Report*, the World Economic Forum (WEF) polled members of their multi-stakeholder community on the likelihood and impact of 30 global risks. As the financial crisis has receded, the biggest perceived business risks were not *economic* – runaway inflation, fiscal crisis, energy price shocks – but *environmental* with extreme weather events and natural disasters topping the listⁱ. This follows a year of high-impact hurricanes, sky-rocketing temperatures and the first rise in CO₂ emissions for four years.

A recent ground-breaking assessment by the Weizmann Institute of Science revealed humankind as simultaneously insignificant yet utterly dominant and destructive in the grand scheme of life on Earth. The world's 7.6 billion people represent just 0.01% of all living things. Yet since the dawn of civilisation, humanity has caused the loss of 50% of all plants and 83% of all wild mammals, while livestock kept by humans

aboundsⁱⁱ. We have been pushing our planet to the brink and the damage is becoming increasingly clear.

Alongside these environmental perils, technological threats (cyber-attacks, data fraud) and societal challenges (large-scale involuntary migration) surged into the top 10 of risks in terms of likelihood and impact.

In our deeply connected world, these risks are not isolated and when WEF respondents were asked to identify trends that shape global development and risks driven by these trends, *Profound Social Instability* emerged centre stage. To illustrate: While climate change has profound consequences for future generations, it also affects the here and now with a disproportionate impact on the vulnerable. Back in 2015, the World Bank warned that climate impacts could add another 100 million poor, complicating noble aspirations to end poverty. This *Profound Social Instability* manifests in large-scale migration, major social movements and violent protests that disrupt political stability, negatively impact populations and upend economic activity.

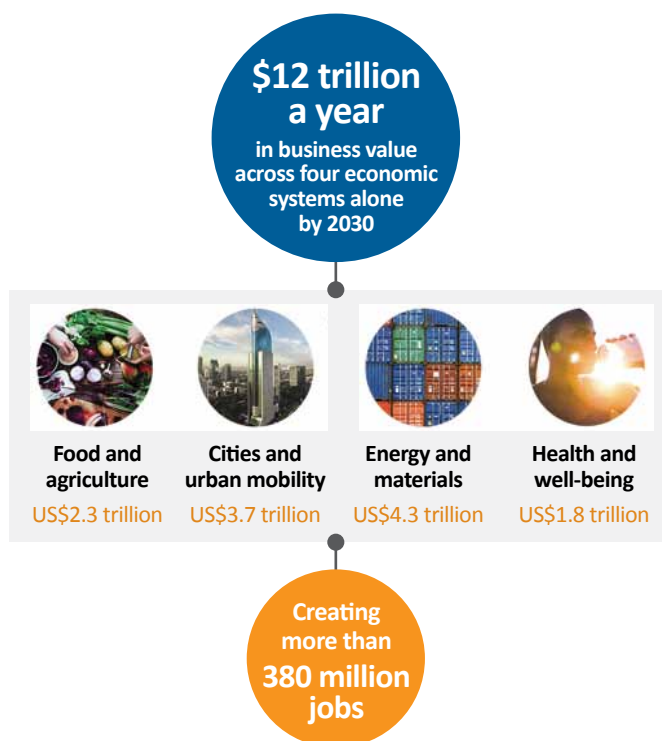
The WEF posits that humanity has become remarkably adept at understanding how to mitigate conventional risks that can be relatively easily isolated and managed with standard risk-management approaches. However, we are less competent when it comes to dealing with complex risks in the interconnected systems that underpin whole economies, societies and the environment. More so when these risks play off each other and give rise to long-term patterns or trends like rising income and wealth disparity, increasing cyber dependency and changing climates that in turn further amplify these risks. And once these trends take root, it will no longer suffice for isolated businesses to respond as whole industries will need to shift.

The Opportunity for Business

21st Century leaders know that business as usual is not an option. We need to not only adapt to these disruptions, but lead change and shape the future we want for our children and our children's children. Recognising the emerging consciousness of business leaders and the potential of the private sector to be a catalyst for good, the United Nations actively engaged corporates in developing the 17 Sustainable Development Goals (SDGs). Designed in partnership with businesses, civil society and governments, the SDGs offer a compelling growth strategy. Far-sighted organisations are seizing this opportunity as they identify, develop and deliver pioneering and effective solutions that profit both business and society.

The 2017 *Business and Sustainable Development Commission Report* concludes that meeting the goals in just four economic systems – food and agriculture, cities, energy and materials, and health and well-being will open up an economic prize of at least US\$12 trillion with the potential to create 380 million new jobs by 2030ⁱⁱⁱ. Businesses are already making billions pursuing sustainable development. 32 start-ups valued at more than \$1 billion in mobility systems, circular manufacturing, healthcare, buildings, health lifestyles, clean energy, and food waste are finding success in market opportunities aligned with the Global Goals.

Achieving the SDGs could unlock:



Source: *Better Business, Better World* (2017)

Even as we see the flourishing of unicorns, 'radical incumbents' like Novo Nordisk and BMW are leveraging their position in established sectors to enter more sustainable, 'Global Goals-related' markets rather than defend the status quo. For example, Novo Nordisk, a global leader in diabetes treatment, is moving into diabetes prevention even though success here implies smaller markets for its existing products. Similarly, even as BMW continues to manufacture increasingly efficient cars, it is repositioning itself over the longer term to be a serious contender in the 'transport as a service' sector with innovative mobility services.

Fourth Industrial Revolution

We are at the dawn of the Fourth Industrial Revolution where the concept of digitising everything is fast becoming reality. The First Industrial Revolution ushered in mechanisation and radically changed how we manufacture goods. The Second used electric power to create mass production. The Third leveraged electronics and information technology to automate production. Building on the Third, the Fourth Industrial Revolution (4IR) brings us a world of cyber-physical systems, characterized by the merging of physical, digital, and biological spheres in unprecedented ways.

These emerging technologies – in fields such as artificial intelligence, analytics, nanotechnology and robotics – are combining to deliver even higher value than they could on their own. For example, innovations in neuroscience and genomic data will allow us to 3D-print new body parts based on a person's unique DNA code.

With its potential to connect billions of people with unprecedented power and access to knowledge, the 4IR has the promise to improve the lives of populations across the globe. Yet to date, the largest beneficiaries tend to be the providers of intellectual and physical capital – the innovators, shareholders, and investors – and consumers who are able to afford and access the digital world. The first era of the Internet, the Internet of information, brought us wealth but not shared prosperity. With the rising gap in wealth between those dependent on capital versus labour, escalating inequality – if not managed – represents a genuine and alarming societal concern.

From an Internet of Information to an Internet of Impact

Yet 4IR technologies also have the potential to make inequalities visible, less acceptable and to compel solutions to address the gap.

One example is blockchain, a digital ledger of economic transactions that is public, encrypted, distributed and immutable with no single point of failure. Proponents of blockchain decry the heavy reliance on big intermediaries – banks, credit card companies, public institutions – which whilst performing important functions such as authentication, have serious limitations;

- Information is centralised and can be easily hacked e.g. JP Morgan, Singapore Health System
- Billions of ‘unbanked’ populations are excluded from the global economy
- An inordinate share of the value of transactions may be appropriated e.g. 10-20% to send remittances to another country^{iv}

The blockchain with its capability to democratise wealth creation and engage people on the margins is a powerful impetus for social change. Recognising the potential of these pioneering technologies to deliver on the SDGs, UNDP is partnering with Blockchain, a world leading software platform for digital assets, the UN Refugee Agency (UNHCR) and the WEF to explore the use of blockchain technology for impact.

The ensuing white paper, *The Future is Decentralised* offers potential solutions to a wide range of issues, including financial inclusion, conservation of natural resources and economic growth for the benefit of our common humanity^v.

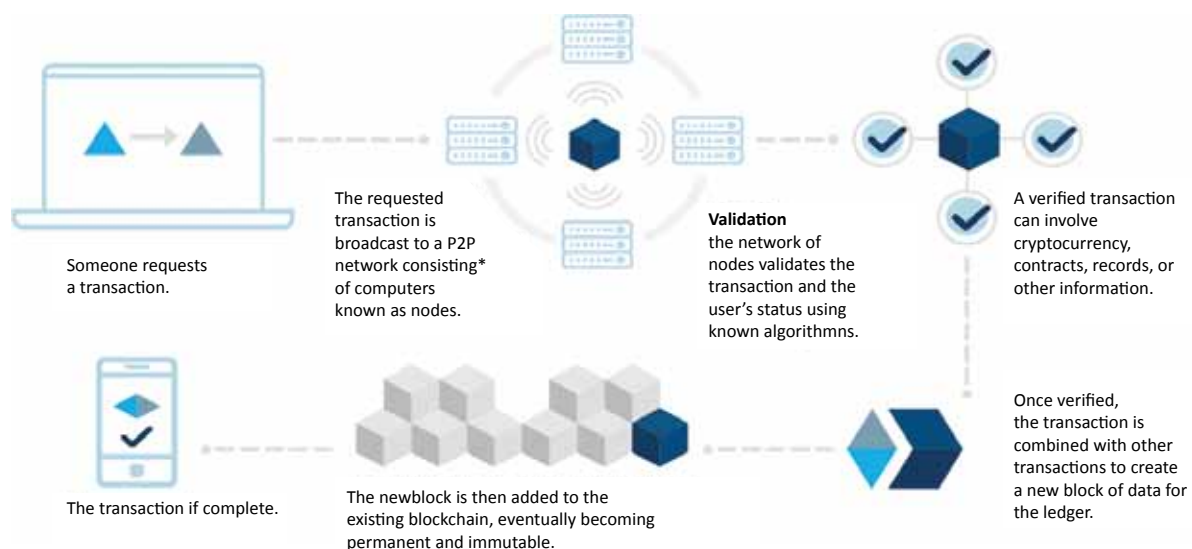
Take for example **Property Rights**. Of the 2.5 billion people around the world who rely directly on land use for survival, only one-fifth possess a title document. Without secure land tenure, the poor are the most vulnerable to land grabbing, territory-based conflicts, and social mobility stagnation. To help resolve this, companies like BitFury in Georgia are now working with governments to put land titles on a blockchain. The secure, decentralised nature of the land registry ensures transparency in transactions and immutability of registry data.

Another potential is **Remittances**. The biggest flow of funds from the developed to the developing world is neither foreign aid nor corporate investments, but money transfers from a global diaspora compelled to work abroad to support families back home. In 2016, remittances to developing countries amounted to US\$429 billion, a figure three times greater than total official development assistance. These transfers account for at least 3% of GDP in over 60 countries and play a critical role in reducing the overall poverty of the recipient country.

However, high transaction costs by intermediaries have a disproportionately negative effect on low-income individuals who rely on remittances for basic needs like food, health care and education.

The primary cause of these high transaction fees are archaic and inefficient financial systems which predate

Blockchain



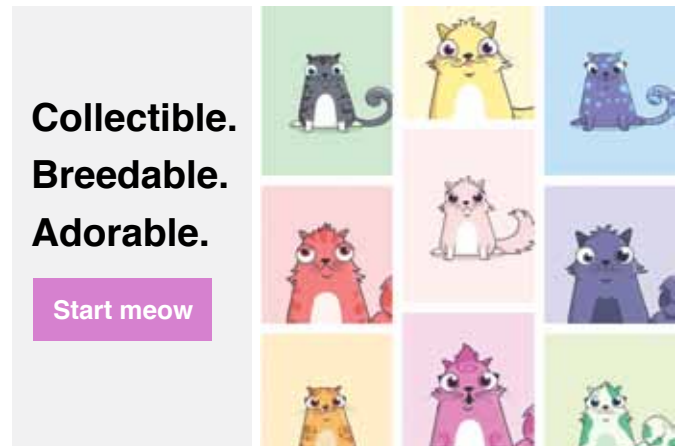
the Internet and are not designed to accommodate payments like remittances which tend to be of smaller financial value. To address this gap, online money transfer services like Abra in the Philippines, Hong-Kong based OKLink and BitPesa out of Nairobi have surfaced using blockchain technology to perform secure transactions without any of the typical fees imposed by financial intermediaries. By enabling transfers via mobile devices, which take seconds instead of days, these purpose driven start-ups are upending traditional institutions as they promote financial inclusion for the more than two billion unbanked and underbanked adults around the world.

Other applications for blockchain include supply chain management, energy and digital identity. ProCivis, a Swiss digital start-up is working to provide stateless Rohingya who fled Myanmar with digital identity cards using blockchain technology to help them access services like banking and education. The first 1,000 people to benefit from this pilot project in 2018 will be members of the diaspora in Malaysia, Bangladesh and Saudi Arabia, decades-old safe havens for the Rohingya, who are the world's biggest stateless minority.

These are exciting technologies that we can use for good while remaining cognizant that they have a dark side, and could be a tremendous force for evil – from drug deals and trafficking, to vehicles of exploitation and sponsors of terrorism.

For many criminals, cryptocurrency is less cumbersome than cash. As reported in the Wall Street Journal, hackers hold computer systems hostage and demand instant, anonymous payment in bitcoin. Drug dealers sell in dark corners of the Internet, obscuring their names and locations. Narcotics traffickers move and launder their profits with clicks of a mouse^{vi}.

Less harmful but nonetheless of controversial value, are games like CryptoKitties where players collect, breed and trade digital kittens. Launched in Dec 2017, CryptoKitties is essentially a digital version of Pokemon cards based on the Ethereum blockchain. Like most viral sensations that catch on in the tech world, it has found itself in the center of a pop culture storm. To date over \$2.5 million has been transacted with multiple kittens going in excess of \$100,000.



CryptoKitties

Family Businesses for a Shared Prosperity

The 4IR brings us innovations that we can use for good, evil or the inane. But technologies do not create prosperity, people do. Innovation and entrepreneurship are in the DNA of family businesses. Moreover, many have, over generations, infused their enterprises with a deep sense of purpose^{vii}. In his latest HBR paper on *Rethinking the Triple Bottom Line*, sustainability guru John Elkington speaks of system change and the need to push towards the transformation of capital^{viii}. Family businesses with their intrinsic intergenerational nature are uniquely positioned to take up this challenge, and rewrite the old economic order by applying values-based entrepreneurial know-how to create a shared prosperity for all.

As a generation, we have enjoyed unprecedented technological, scientific and financial resources. With frameworks like the SDGs and technologies like blockchain, business in general and family business in particular, have the opportunity to mobilise these resources for the collective good, charting a course towards a more sustainable, equitable and inclusive future for our children and generations to come.

Caroline Seow spearheads the Polaris initiative with a group of FBN members, all passionate change agents for *Business as a Force for Good*. Former Head of Marketing, Apple Asia-Pacific, she is a catalyst for non-profit and for-profit partnerships, an advocate of the B Corp Movement and ambassador, Cambridge Institute of Sustainability Leadership, University of Cambridge.

i WEF, 2018. *The global risks report 2018, 13th edition*

ii Weizmann Institute of Science, 2018. *The Biomass distribution on Earth*

iii BSDC, 2017. *Better Business, Better World*.

iv Tapscott, D., Blockchain TED talk; 2016.

v Blockchain & UNDP, 2018. *The Future is Decentralised*

vi Wall Street Journal, 2018. *The Crypto Crimewave is Here*

vii FBN Polaris, 2017. *Vocation of the Business Leader*

viii Elkington, J., 2018. *25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It.*

FAMILY BUSINESSES PIONEER TOMORROW'S CAPITALISM

by John Elkington

It was time to drop the bombshell. When I spoke at the Family Business Network International forum in Milan in June, I told the audience that we were about to announce a “product recall” for the “triple bottom line” concept I came up with a quarter of a century ago. With FBN’s pioneering Polaris platform taking off, there was some concern that I might be stirring up a powerful headwind.

Let me explain why, in contrast, I think we are building a powerful tailwind, driving positive change towards “the future we want”.

When we formally announced the recall in the *Harvard Business Review* later the same month, the response was off-the-scale positive. It wasn’t that people wanted to see the concept put on the spike — instead they were keen to collaborate on making it fit for the 2020s. And I see the Polaris platform as a key part of the 12-month review process we plan to launch late in 2018. Moreover, I see family business as uniquely well-placed to contribute because of its multi-generational time horizons.

Kicking off the HBR article I asked: “How often are management concepts subjected to recalls by the people who invented them? It is hard to think of a single case.” I went on to explain:

“If an industrial product like a car fails, the manufacturer pulls it back, tests it and, if necessary, re-equips it. In case manufacturers grow careless, governments run periodic road safety tests. Management concepts, by contrast, operate in poorly regulated environments where failures are often brushed under boardroom or faculty carpets. Yet poor management systems can jeopardize lives in the air, at sea, on roads or in hospitals. They can also put entire businesses and sectors at risk.”

With this in mind, I’m volunteering to carry out a management concept recall: with 2019 marking the 25th anniversary of the “triple bottom line,” a term I coined in 1994. We are conducting a product recall to do some fine-tuning.

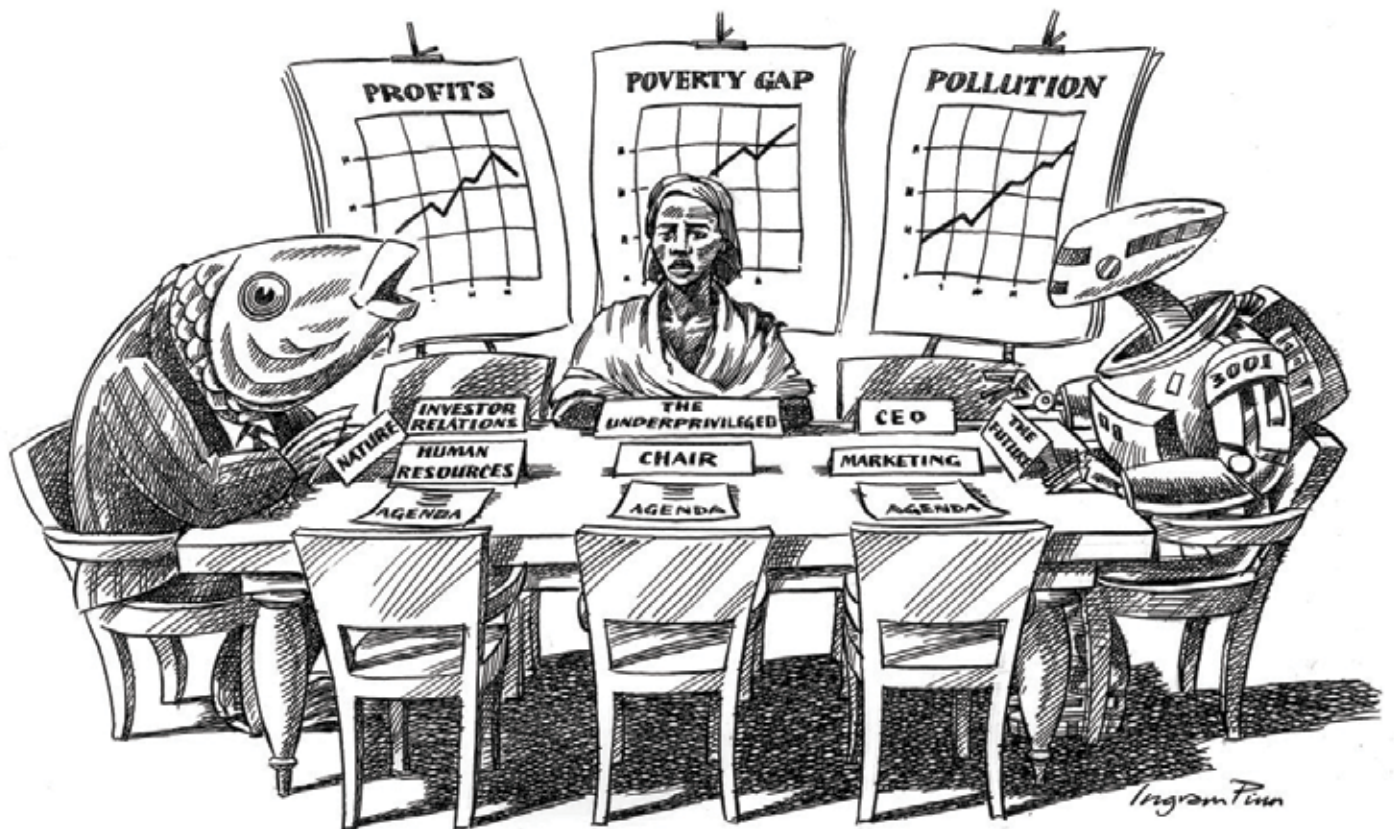
For those unfamiliar with it, the TBL is a sustainability framework that examines a company’s social, environment, and economic impact. The image on the right was done for me by *Financial Times* cartoonist Ingram Pinn back in 1991 or 1992. Seated around a boardroom table were a fish (representing nature), a poor woman (representing the dispossessed) and a robot (representing the deep future).

Part of the business lexicon

A decade ago, *The Economist* was already signaling that the term had become part of the business lexicon. As the magazine explained, the approach, “aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business.”

Well yes... but the original idea was wider still, encouraging businesses to track and manage *economic* (not just financial), social, and environmental value added — or destroyed.

So why recall it now? After all, since the 1990s, the sustainability sector has grown rapidly, though at around \$1 billion in annual revenues globally it is no giant. Still, market research suggests that future markets for its products and services could be huge — with the U.N. Sustainable Development Goals forecast to generate market opportunities of over \$12 trillion a year by 2030 (and that’s considered a conservative estimate).



An early attempt to portray the Triple Bottom Line by Ingram Pinn

The success or failure on sustainability goals cannot be measured only in terms of profit and loss. They must also be measured in terms of the wellbeing of billions of people and the health of our planet, and the sustainability sector's record in moving the needle on those goals has been decidedly mixed.

While there have been successes, our climate, water resources, oceans, forests, soils and biodiversity are all increasingly threatened. It is time to either step up — or to get out of the way.

The TBL idea has infused platforms like the Global Reporting Initiative (GRI) and Dow Jones Sustainability Indexes (DJSI), influencing corporate accounting, stakeholder engagement and, increasingly, strategy. But the TBL wasn't designed to be just an accounting tool. It was supposed to provoke deeper thinking about capitalism and its future, but many early adopters understood the concept as a balancing act, adopting a trade-off mentality.

Changing the System

The concept surfaced exactly 500 years after Luca Paccioli published the world's first treatise on double-entry bookkeeping, the cornerstone for single bottom line thinking. Looking back, it is clear that the advent of the TBL proved to be a branching point.

It was followed rapidly by Double and Quadruple Bottom Lines, Social Return on Investment (SROI), multiple capital models, Full Cost Accounting, ESG (a framework focusing investors and financial analysts on Environmental, Social and Governance factors), the Environmental Profit & Loss approach pioneered by Trucost, Puma, and Kering, Net Positive, Blended and Shared Value, Integrated Reporting, Impact Investment and, most recently, BCG's Total Societal Impact framework. And that's even before we get into next generation concepts like Carbon Productivity, the Sharing and Circular Economies, or Biomimicry.

Such experimentation is clearly vital — and typically sparks a proliferation of potential solutions. But the

bewildering range of options now on offer can provide business with an alibi for inaction. Worse, we have conspicuously failed to benchmark progress across these options, on the basis of their real-world impact and performance.

Together with its subsequent variants, the TBL concept has been captured and diluted by accountants and reporting consultants. Thousands of TBL reports are now produced annually, though it is far from clear that the resulting data are being aggregated and analyzed in ways that genuinely help decision-takers and policy-makers to track, understand, and manage the systemic effects of human activity.

Fundamentally, we have a hard-wired cultural problem in business, finance and markets. Whereas CEOs, CFOs and other corporate leaders move heaven and earth to ensure that they hit their profit targets, the same is very rarely true of their people and planet targets. Clearly, the TBL has failed to bury the single bottom line paradigm.

Sustainability's First Recall

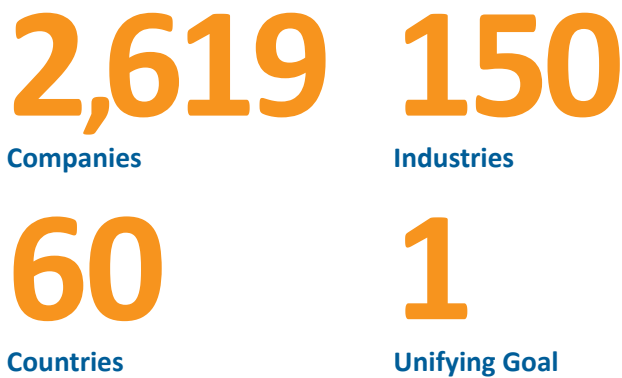
Critically, too, TBL's stated goal from the outset was *system change* — pushing toward the transformation of capitalism. It was never supposed to be just an accounting system. It was originally intended as a genetic code, a triple helix of change for tomorrow's

capitalism, with a focus on breakthrough change, disruption, asymmetric growth (with unsustainable sectors actively sidelined), and the scaling of next-generation market solutions.

To be fair, some companies did move in this direction, among them Denmark's Novo Nordisk (which rechartered itself around the TBL in 2004), Anglo-Dutch Unilever, and Germany's Covestro. The latter company's recently retired CEO, Patrick Thomas, has stressed that the proper use of the TBL involves, at minimum, progress on two dimensions while the third remains unaffected. It is time for this interpretation to become the default setting not just for a handful of leading businesses, but for all business leaders.

“I see a bright ray of hope coming from the high-energy world of B Corporations. There's a lot of momentum there; around 2,500 businesses worldwide are now certified as B Corps. All are configured around the TBL — dedicated to be not just “best in the world,” but “best for the world.” Major companies like Brazil's Natura and Danone's North American operation are now B Corps, with other multinational corporations considering how to follow suit.”

A Global Community of Leaders



Certified B Corporations are a new kind of business that balances purpose and profit. They are legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment. This is a community of leaders, driving a global movement of people using business as a force for good.



To truly shift the needle, however, we need a new wave of TBL innovation and deployment. But even though my company, Volans, consults with companies on TBL implementation, frankly, I'm not sure it's going to be enough. Indeed, *none* of these sustainability frameworks will be enough, as long as they lack the suitable pace and scale — the necessary radical intent — needed to stop us all overshooting our planetary boundaries.

Hence the need for a recall. I hope that in another 25 years we can look back and point to this as the moment all forms of business started working toward a “triple helix” for value creation, a genetic code for tomorrow's capitalism, spurring the regeneration of our economies, societies, and biosphere.

The recall idea was provocative, certainly, and we expected a response, but not the social media feeding frenzy we got. Our team is still working through the responses but scrape aside the back-slapping and earnest suggestions that other management concepts should be subjected to the same sort of scrutiny, and it is clear that a strong following wind is building behind this initiative.

B Lab co-founder Bart Houlihan, who spearheads the B Corporation movement globally, was grateful for the “clarion call”. He urged, “May we all embrace ‘the necessary radical intent’ to reprogram the ‘genetic code’ of business!” Given that over 2,500 B Corps are committed to performing against the TBL, this was a key hurdle for the recall.

Incrementalist strategies

Some people warned that most companies remain a long way behind. Dorje Mundle of BSR, formerly with Novartis, warned: “Yes, we have a few CEOs who understand the business-relevance and scale of the challenge, and who back it up with action. But they remain a tiny proportion of the 1,000s of MNCs/large national companies. The majority of corporate TBL action I see across sectors and geographies still comprise incrementalist strategies that move in the right direction and can be impressive in terms of relative progress but lack the ambition to drive change at the scale and pace needed in absolute terms.”

Other respondents enthusiastically mentioned techniques such as the environmental profit & loss

(EP&L) methodology developed by PUMA and now adopted more widely by the fashion house Kering, the shared value approach pioneered by Nestlé, the Multi-Capital Scorecard evolved by Mark McElroy, and the Future-Fit Business Benchmark. Others pushed far more expansive framings — around Kate Raworth's “Doughnut Economics”, for example, or the Ellen MacArthur Foundation's Circular Economy.

Across the board, people wanted better policy, regulation and enforcement. The gist here, unlikely as it may seem in the midst of a bubbling trade war, is that governments must work to change the rules of the system, forcing companies to take people and planet as seriously as profit.

But probably the biggest cluster of responses focused on the need for new forms of leadership—coupled with new, or rediscovered, values better attuned to the 21st century. That's where we need to head next. If we really want to change the system, we must help individuals operating within it to reconnect with their core values, renewing their sense of purpose, meaning and integrity.

The family business sector is wonderfully well placed to play into this space, with pioneers including companies like Acciona, Bel Group, COOK, Danone and Patagonia. So far, the case studies we are developing as part of the Tomorrow's Capitalism Inquiry, with the help of Aviva investors, focus on big, publicly listed companies. This poses the question: Why not add a family owned business? Any suggestions?

As we launch our inquiry into the future of capitalism, we look forward to working ever more closely with the world's leading family-owned businesses—and with the world's leading family business network.

John Elkington is Chairman and Chief Pollinator at Volans. He also co-founded SustainAbility (where he is Honorary Chairman) and Environmental Data Services (ENDS). His latest book, *The Breakthrough Challenge: 10 Ways to Connect Today's Profits With Tomorrow's Bottom Line*, is co-authored with Jochen Zeitz and published by Jossey-Bass. His most recent report is *Breakthrough Business Models: Exponentially More Social, Lean, Integrated and Circular*. He tweets as @volansjohn.

SO MUCH MORE THAN A BUSINESS ... LESSONS LEARNED FROM 100-YEAR BUSINESS FAMILIES

by Dennis T. Jaffe

Very few family businesses survive to become 100-year family enterprises. We refer to them as **generative families** because they create continual value across generations. The value they create is not just financial, but also consists of human, social and family capital. Family enterprises (even when they are public companies) are fundamentally different from non-family companies, because the controlling shareholders have a personal relationship with each other, enabling them to look ahead long-term and, when they are aligned, to make quick decisions and implement their values in their business.

What differentiates these families? The 100-year family isn't a bystander to its wealth. After first-generation success, our 100-year families decided to use their material success to create a second successful entity: A connected family with shared values dedicated to making the highest and best use of the special resources and opportunities that they've been given. They invest in a conscious family, who are personally tied to each other through a legacy and long-term commitment to becoming stewards for their own and future generations. A second differentiating factor is that they extend the values of the family to create a long-term family culture, where values are sustained in the business and the wider community.

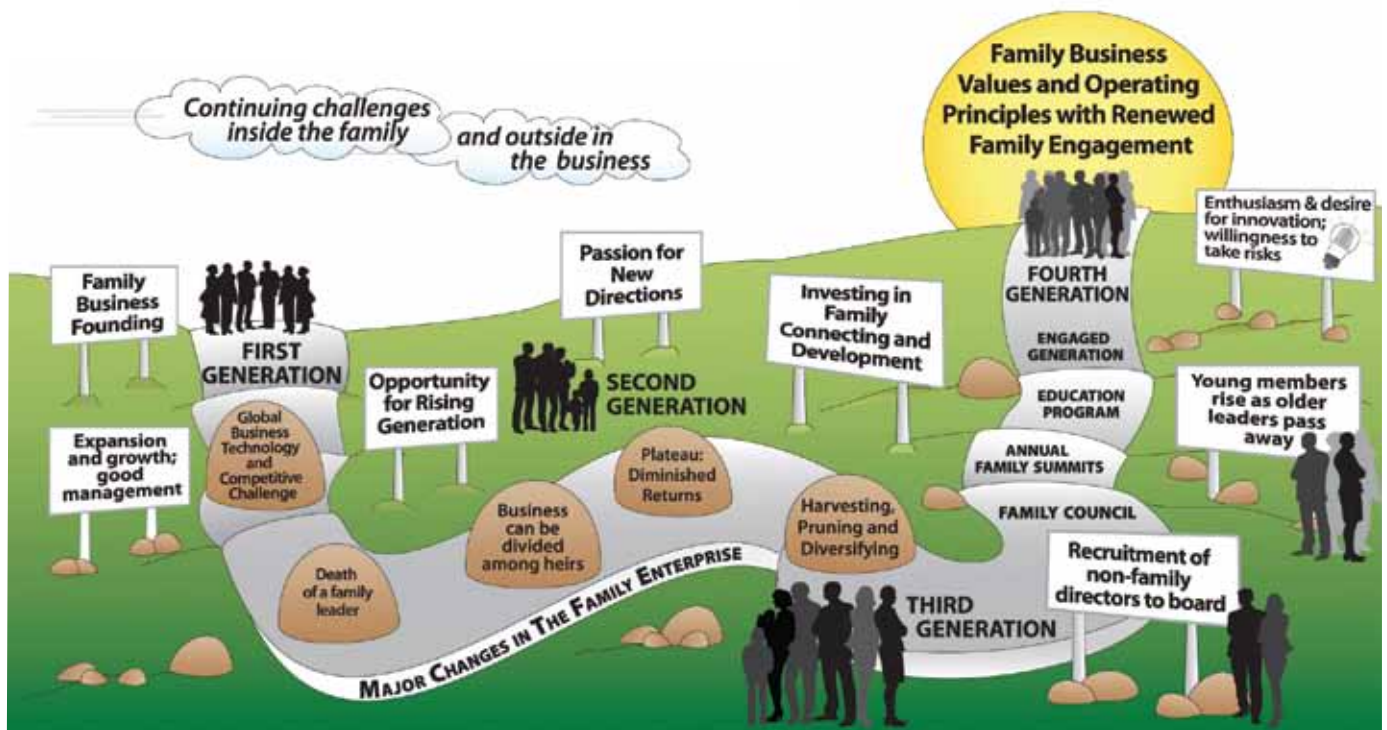
Evolving Across Generations

As it crosses each generation, the growing business family increasingly differentiates itself from its legacy company, while maintaining deep linkages and inter-connection. They achieve this using several cultural practices they develop over time. They share an increasing focus on professionalism, transparency, collaboration and a family united by shared values and

purpose. These families are also resilient, able to take advantage of opportunities to innovate and transform themselves. As the family increases in numbers and complexity of assets, each generation recommits to the united family.

Each of the first three generations face common challenges set by biology and business evolution. The first generation usually features an entrepreneur propelled by a vision that helps him succeed beyond his wildest imagination. His children grow up viewing his achievement with huge expectations that they continue. They must learn to manage the fruits of their good fortune, work as a team and develop values of stewardship and responsibility. They actively develop the members of each succeeding generation, imparting their values and developing their commitment to the business—not necessarily as operators or executives, but as stewards and responsible owners. Taking on the role of stewards, each generation must develop skills and commitment to moving the legacy forward. They do this not by slavishly doing what their parents have done, but by innovation, reinvention, and seeking new opportunities and learning from challenges that emerge. They are resilient and continually renewing the business.

There may not be a single moment in which the family decides, *we are going to create a great family*. At some point in the second or third generation, members see the need to develop policies and structures, and engage each other in the work of developing a family organization. They **invest** in the development of family connection, unity and capability. Doing so involves several tasks. They must set the family business (or businesses) on a professional footing, sometimes by limiting the



Evolution of a Generative Family Enterprise

opportunities for family members to be involved. At the same time, they unify and develop the family, with regular family activities, philanthropy commitments, and next-generation education.

If they're to enter a fourth generation, the family must actively renew its vision and commitment with each new generation of family members, while still developing a highly professional and sometimes public company. Many families sell their legacy business and create a family office and investment group, which demands a substantial shift of focus, skills and activity. These post-fourth generation families also initiate shared educational and philanthropic activities often including 100 or more family members.

Best Practices of the Generative Family

Each generation creates a new scenario in the family and business environment. Some challenges can be anticipated, and the family and the business can prepare by creating structures and policies designed to fit the emerging realities. The resiliency and adaptability of the families in our study stem from several qualities. While these qualities were common in our group, they're much rarer in less long-lived family enterprises.

Either in response to a financial and family succession crisis, or (less frequently) by the foresight of the leaders of the previous generation, generative families exhibit the following qualities:

- 1. Foundation of Shared Values:** A family business begins with a strong sense of mission and values, at least as a business. To continue into the next generation, the heirs need to affirm, and even develop, their values and commitment to them. To attract succeeding generations to remain part of the enterprise, each generation must renew their values and mission to make being part of the effort meaningful to the emerging generation.
- 2. Resilience and Regular Renewal:** The generative family and family enterprise are characterized by being adaptable and resilient. No family can avoid tragedy, and no business can avoid crisis. The successful 100-year family is able to respond constructively to each of the several crises that come their way. Resiliency is a quality that's been much explored in relation to individuals, families and businesses.
- 3. Transparency:** The first generation has a founder who's not accustomed to sharing information, ideas

or control. When a family reaches the second or third generation, however, the siblings or cousins who consider the future need to get up to speed on the key information about the business and the financial agreements. This means that trust documents, business plans and financials must be shared, understood and discussed by more family members. Some family members need education about what they mean and what their role is in relation to them. But information about family enterprise becomes freely available inside the community of the family.

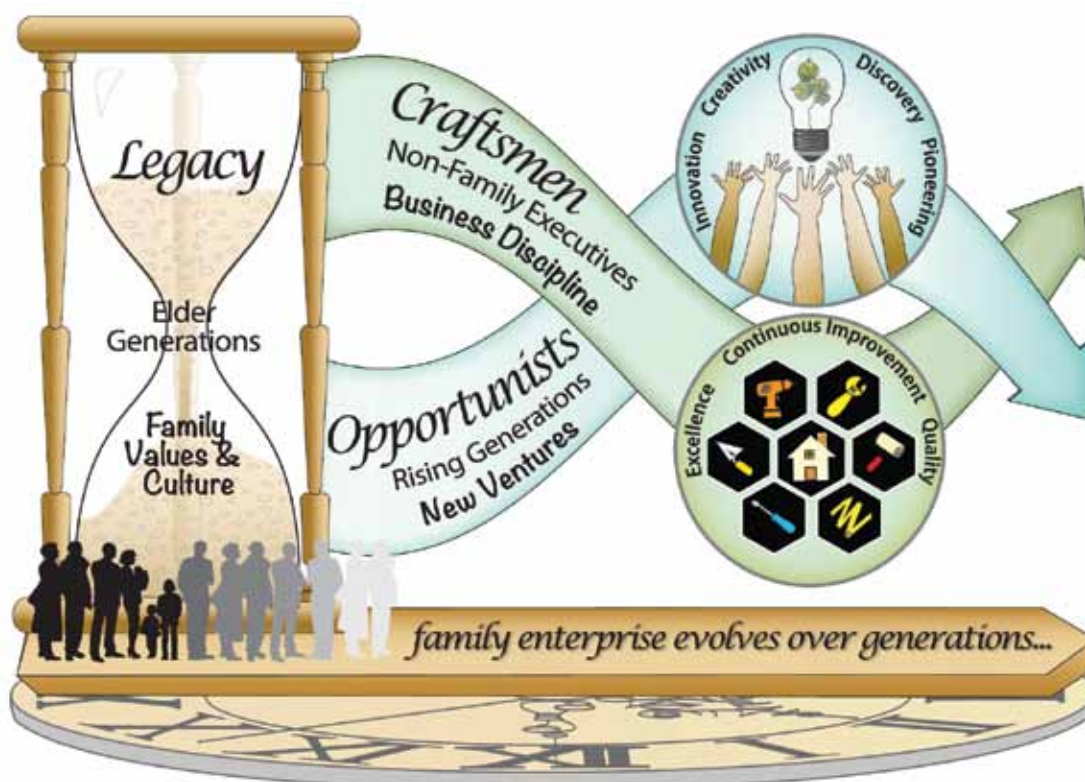
4. Shift from Family to Business-First Orientation:

When it begins, the business is an extension of the family. As it grows, the business needs to develop professional discipline and add skills to grow and compete. Every generative family has a point where the family must not assume the business is there to serve them, to allow the business to attract non-family talent, and develop products and services that can compete in an increasingly global marketplace. The family must develop accountability from family leaders and non-family executives. There is also a shift over generations

from family owner/managers, to family ownership overseeing non-family leadership (although some family executives may also be present). This is often a point of tension between older generations and the demands for accountability and performance from the younger, rising generation.

5. Cross-Generational Engagement and Collaboration:

Siblings learn to fight and argue before they learn to co-operate. Some siblings never learn this lesson. As a family enterprise enters the third generation, cousins and married-in family members make differences more likely than common ground among family relationships. With scores of relatives, family bonds may not be intimate, but in the families who are adaptable, a shared sense of purpose and commitment to work together in a co-operative and respectful manner begin to emerge. Sometimes conflict leads branches or individual family members to leave the family enterprise, but each family has to develop an ethic of basic trust, respect and co-operation to enable them to make difficult decisions.



Generative Alliance: Over generations, generative families continually transform themselves through cooperation among three stakeholder groups: the legacy of values and commitment originated by the elder generation, the craftsmanship of business excellence by family and non-family leaders, and the opportunistic innovation and renewal championed by the rising new generations. Working together, their contributions create resilience and continual renewal over generations of family enterprise.

- 6. Offer Opportunity to New Generations:** The family innovates in ways that offer new opportunities for family members to contribute to the family, not only as business and financial leaders, but also as entrepreneurs supported by the family, as social innovators or philanthropists and in serving the family as a community.
- 7. Commitment to Employees, Community and the Earth:** Generative families have more than they need to thrive. Some next-generation family members grow up feeling a bit uncomfortable with how much they'll inherit and have as a family. They learn about the inequality of wealth in the world and the great needs that exist, and want to use some of the family's wealth to make a difference. Each generative family has begun to look at shared philanthropy as another means to sustain family connection and as a proper activity for the next generations. Opportunities to participate in service activities – such as global missions and service projects – as they're growing up and learning about projects the family has supported, lead some family members to become involved in family philanthropy and foundations. It seems impossible for a generative family to look at what they have and not decide that they can and want to make a difference in the world. Each family has a special path for their family values and legacy as they serve a broader community. Often, this commitment begins in their family business, where they feel a special bond to their long-time employees and the community in which they work and live.

Making a Positive Difference

Our findings are remarkably similar to the wisdom that is being gathered through the Polaris movement. Like our group of generative families, businesses that embody Polaris represent families that made a long-term commitment to values they transfer to their business. They offer guidance about the dynamics and practices of families who care not just about their business, and their family, but about society at large and the future of our entire planet.

It's hard to listen to the stories of our families and not feel admiration and respect for what they've done. In a time when there's much concern about the

concentration of wealth in the hands of “the 1 percent,” a study such as this that looks at how these families are making use of their wealth is an important addition to the dialogue. While this study shouldn't be taken as an apology for wealth concentration, it does offer a positive narrative. The successful 100-year family isn't necessarily a selfish group of consumers of excessive luxury goods – it can also become a socially responsible entity, using its vast resources in a responsible way to make a difference in the world. When we compare the activities of a family enterprise with the activities of a public corporation, we see that the special nature of a family who shares not just resources but also a values-based connection with each other, can be of great benefit as we face a harrowing set of global challenges in the next generation.

Dennis T. Jaffe is an associate of Wise Counsel Research. His website is dennisjaffe.com, and his email is djaffe@dennisjaffe.com.

Research on 100-Year Family Enterprises

Our research project interviewed family leaders from nearly 100 strong, coherent and united families that sustained a sense of family identity and vital business and financial success over at least three generations. It is published as a series of working papers, available from Amazon in print and electronic versions. They include *Resilience of 100-Year Family Enterprises: How Opportunistic Innovation, Business Discipline, and a Culture of Stewardship Guide the Journey Across Generations*; *Governing the Family Enterprise: The Evolution of Family Councils, Assemblies and Constitutions*; *Releasing the Potential of the Rising Generation*; and *Good Fortune: Building a Hundred-Year Family Enterprise*.

SHAPING THE FUTURE WITH PURPOSE

by Colin Mayer

*“The best way to predict the future is to create it”
- Abraham Lincoln*

The Oxford English Dictionary definition of “purpose” is why something is created, done and exists - what it aspires to become. It is “a person’s sense of resolve or determination” and what drives and inspires us as humans.

It is also mission-critical to business. It is the most fundamental determinant of the success or failure of business. 60 years ago Milton Friedman put forward his famous doctrine that “there is one and only one social responsibility of business ... to increase its profits”. It has been an extremely influential principle that has driven business ever since.

But we are now increasingly realizing that, while profits are a product, they are not a purpose of business. **The purpose of business is to produce profitable solutions to the problems of people and planet. In the process it produces profits but profits are not *per se* the purpose of business.**

The reason why this is so important is that the purpose of the business is the basis by which it builds relations of trust with all parties to the firm – its employees, suppliers, investors, communities, as well as its customers. By committing to its purpose, it instils a sense of purpose in those contributing to the firm and it is that which encourages them in turn to promote the interests of the firm.

Clarity of purpose therefore lies at the heart of building a business. It is the statement of what the business is and what it aspires to become and it is the goal that unifies the firm’s entire community. It is also a central component of establishing trust in business.

The last few years have witnessed a serious erosion of trust in our most important institutions. Business has been at the centre of that loss of trust and is repeatedly reported as being one of the least trusted institutions in people’s lives.

In contrast, family businesses are often perceived as being more trustworthy than other types of businesses, in particular by their employees and local communities. According to the Edelman Trust Barometer, they are widely regarded as better places to work than other types of firms.ⁱ

However, family businesses are not generally regarded as contributing so well to society at large. According

to the Edelman Trust Barometer, they are perceived to perform relatively poorly in relation to their promotion of philanthropy and societal interests, and, according to recent research that is in progress in the Ford Foundation programme on Purposeful Ownership at the University of Oxford, they may underperform in relation to environmental, social and governance factors.ⁱⁱ

Family businesses therefore readily embrace employees and local communities in their wider family circle but not necessarily societies and environments beyond them. This is a missed opportunity because family business is exceptionally well placed to be a global force for good. A substantial proportion of the largest listed – not just private – companies around the world have families as their dominant shareholders, and family businesses have the capacity to define purposes beyond financial returns in a way in which it is often difficult for financial intermediaries to do.

Critical to addressing this is family businesses’ conception of their purpose. So long as financial and self-interest are perceived to be the driving forces of business then trust will remain low. But if family business really regards its purpose as being to “produce profitable solutions to the problems of people and planet” then it will receive the respect of others that it deserves.

Viewing business as producing profitable solutions to problems is a source of enhanced performance. This, rather than just the production of goods and services, is increasingly being recognized as the future direction of travel of business and the basis of a new paradigm of the firm. Polaris is making a substantial contribution to encouraging the progression of family business along this path.

It is also a source of resilience to the pressures and threats that family businesses face. With a clear sense of purpose to contribute to solving individual, social and environmental problems, business is seen as performing a central role that protects it from the political, regulatory and social pressures to which it otherwise risks being subject.

Purpose is also key to the survival of family businesses because of the growing interest of “next gens” in it. **The next generation is looking to a purpose beyond wealth and financial returns for inheriting and contributing to their family businesses.** Without such purposes to motivate them, retention of businesses within families will become increasingly difficult.

Trust, performance, resilience and survival are all reasons why purpose is mission-critical to family businesses. With it, family businesses can look forward to a future where they continue to flourish, grow and prosper, and contribute to the future prosperity of our planet.

Colin Mayer CBE is the Peter Moores Professor of Management Studies, Saïd Business School, Oxford University, and Principal Investigator on the Oxford Ownership Project at Saïd Business School, Oxford University. His book *Prosperity: Better Business Makes the Greater Good* will be published by Oxford University Press in November 2018.

i Edelman Trust Barometer (2017), Special Report on Family Business, <https://www.edelman.com/trust2017/family-business-trust>

ii Clarissa Hauptmann and Belen Villalonga (2018), “Corporate Sustainability Performance of Family Firms” working paper in preparation.

THIS IS OUR MOMENT – LEARN, SHARE AND INSPIRE

by Andrew Bryson



Source: B Analytics platform, Sept 2018

Increasing numbers of FBN members have joined the Polaris movement to learn, share and inspire - participating in training and forums, sharing family business stories on impact and advocating for change. Since its launch in October 2015, close to 300 members from across the globe, representing a diversity of industries, have now taken the Polaris Impact Assessment (PIA) to measure what matters.

Our network continues to create significant positive impacts in both our family businesses and the communities in which we operate. With increasing numbers of FBN members taking the PIA, we are gaining greater insights into exactly where we are making a difference and where we have room to improve. These lessons help FBN better understand what matters to family businesses, while also giving members clear actions they can take to improve their businesses.

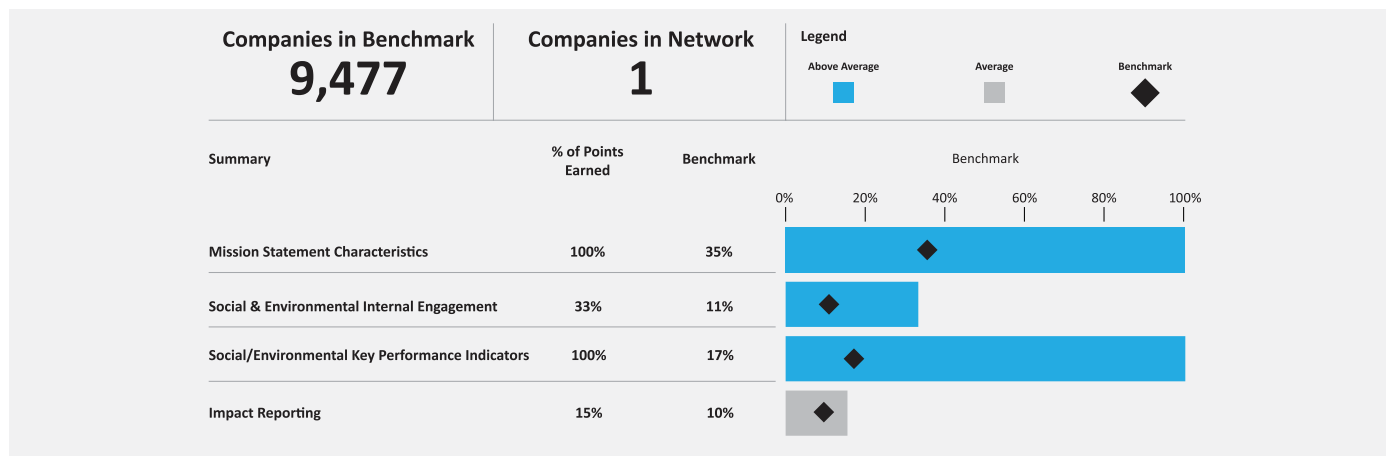
More importantly, the results of the PIA provide FBN members with impact data they can confidently share with all their key stakeholders.

Along with clarity of Purpose, this is an important factor in shifting the perception that family businesses lag behind other businesses when it comes to societal contributions as seen in the 2017 Edelman family business study¹. As a network, we do a significant amount of work in our communities – be it directly through our family

enterprises or through our families' philanthropic ventures. It is time we share these successes more broadly while continuing to use the insights we gain through the PIA to deepen and expand the scale of our impacts.

Making Improvements and Creating Impacts with the PIA

One great example of a member applying insights from the PIA is Biofilter, a second-generation Hungarian-based family business. While sustainability has long been a focus for Biofilter, the Deák family continually examines what they can do to build a stronger business, reduce waste and improve their contributions to society. In this spirit, Next-Gen Brigitta Deák applied to attend the Polaris Training with Al Gore (PTAG) in 2017 in the hope of expanding their outlook by connecting and sharing with her FBN peers. As part of her application process, Brigitta completed the PIA which immediately began to paint a clearer picture of what Biofilter was already doing well and where there was room for improvement. After her application was accepted, Brigitta joined a Polaris Peer Group (PPG) in which she targeted several specific areas and created improvement plans on how Biofilter would activate these changes. A particular focus was put on 'transparency' as it was becoming increasingly important to both the family and their key stakeholders.



Biofilter's transparency performance benchmark

Source: B Analytics, Sept 2018

The graph above provides a snapshot of Biofilter's 'transparency' performance from the B Analytics platform. When benchmarked against other businesses, they outperformed their peers in stakeholder engagement, but there was still a significant opportunity in Impact Reporting.

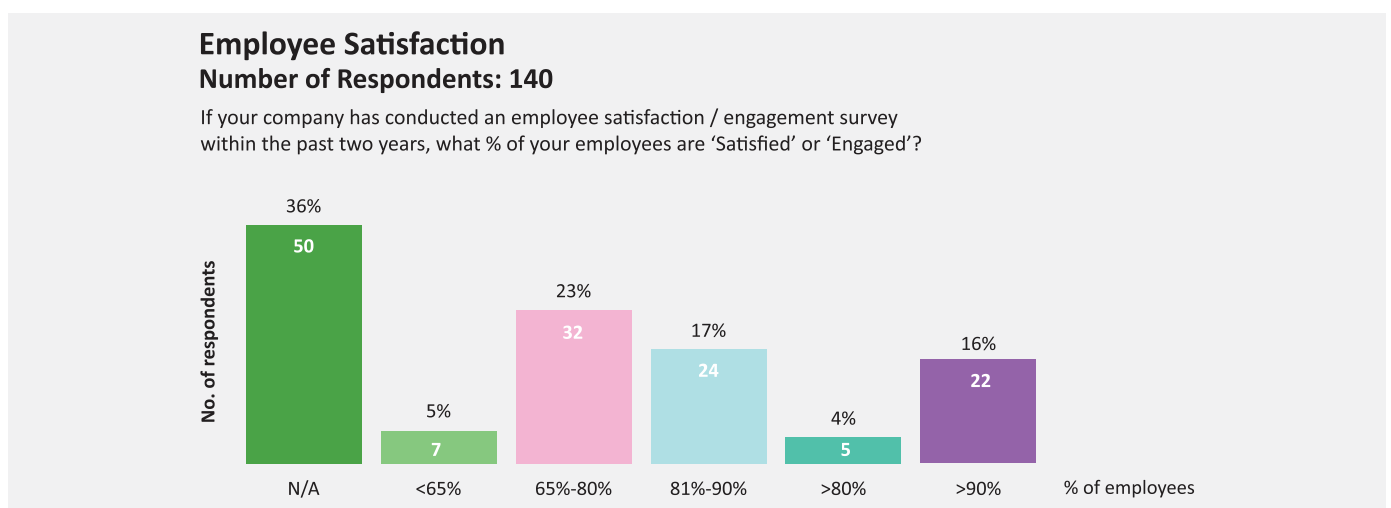
In turn, Biofilter underwent B Corp certification to ensure that their impact data is third-party verified, after which it will share their data in their first public-facing sustainability report later in 2018. As Brigitta explains, this is important to the continued evolution of the company because *Sustainability reporting has a significant impact on corporate transparency which is one of the most important core values of Biofilter besides 'circularity' and 'innovative culture'.*

Creating a Great Place to Work

An area that resonates strongly with our members is employee satisfaction. One family business in our network that has seriously committed to this issue is COOKⁱⁱ in

the UK. More than just a manufacturer and retailer of ready-made meals, COOK has committed itself to a higher purpose - to nourish people's relationships with food and each other. In turn, they always focus on building good relationships, starting with their own people. As one of COOK's founders Edward Perry states: *The most important number at COOK is our score in the annual 'Best Companies to Work For' survey. If I was cast away on a desert island and could see only one annual statistic about this company I love, it would be our Best Companies' score. I know that if our people are telling us that COOK is improving as a place to work, then all the other numbers will take care of themselves.*

Of course, the first step in building a culture like COOK is knowing how employees truly feel about working for a particular business. As a network, it is good to see most of us are striving to learn more about how our employees feel and it is promising that a majority of employees are satisfied or engaged.



Employee Satisfaction

Source: B Analytics, Sept 2018

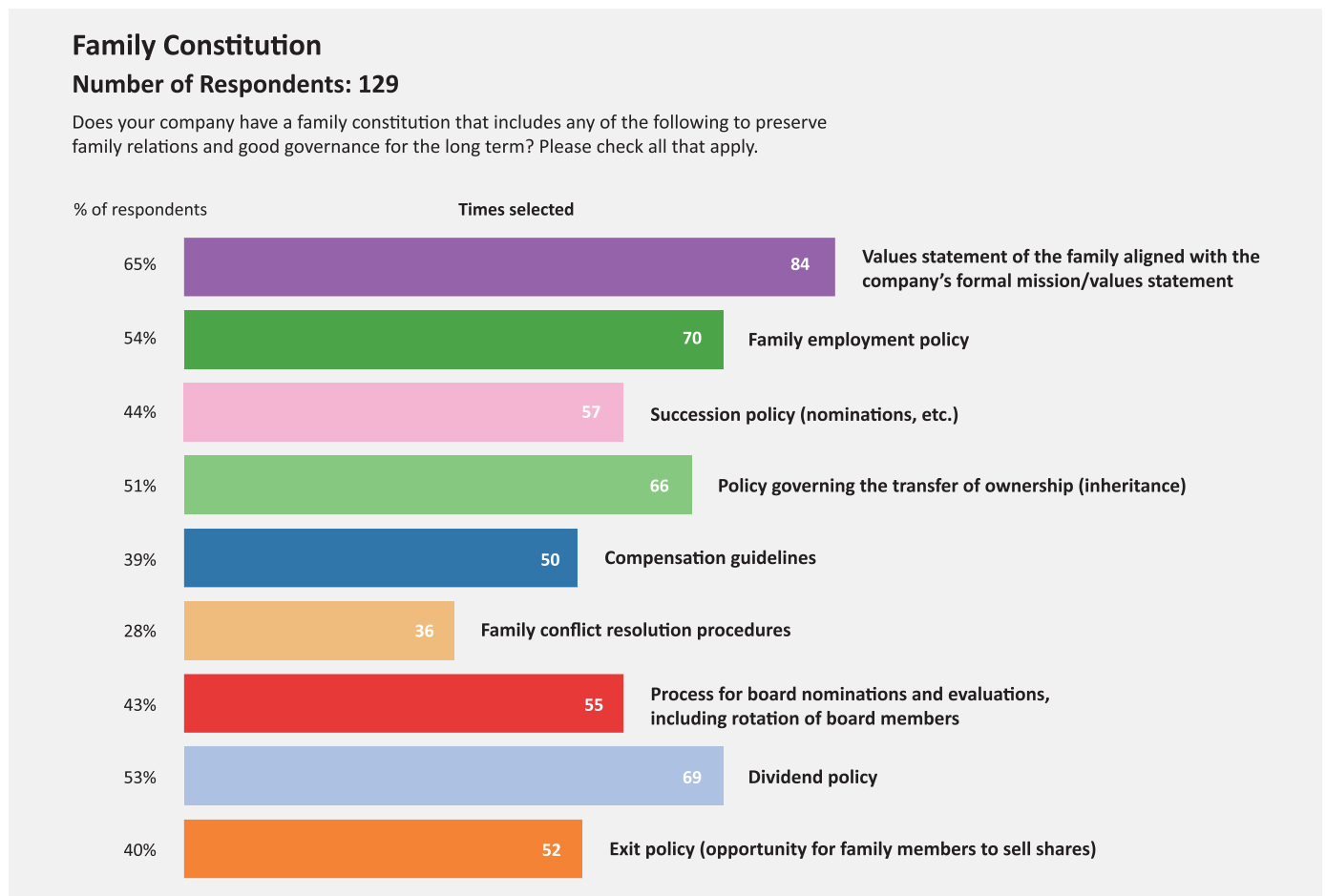
Deepening Family Involvement and Interaction

Family businesses continually focus on issues connected to governance as it is an area where further enhancements are often possible. One family business that has recently made improvements in this area is RedStar from the Netherlands. RedStar is a 60-year-old family business that grows, packages and sells tomatoes all year round. While they have grown their business with a clear sustainable vision and core values that include innovation and quality, the family had never taken the time to codify these concepts in a family constitution. After taking the PIA and participating in a PPG, Desiree van der Kaaij saw

this as an important step for her family to take, and has led her family through the process of creating one.

As Desiree states, *“The family constitution and the family council will create a platform to start a dialogue between family members to improve involvement & interconnection to better preserve family relations. This will enhance the alignment between the family and the business and create a better understanding of shareholder responsibilities.”*

As one can see from the graph below, many family business members take Family Constitutions very seriously and use them to deliver clarity to the family across a broad range of issues.



Family Constitution

Source: B Analytics, Sept 2018

Building the Low-Carbon Economy of the Future

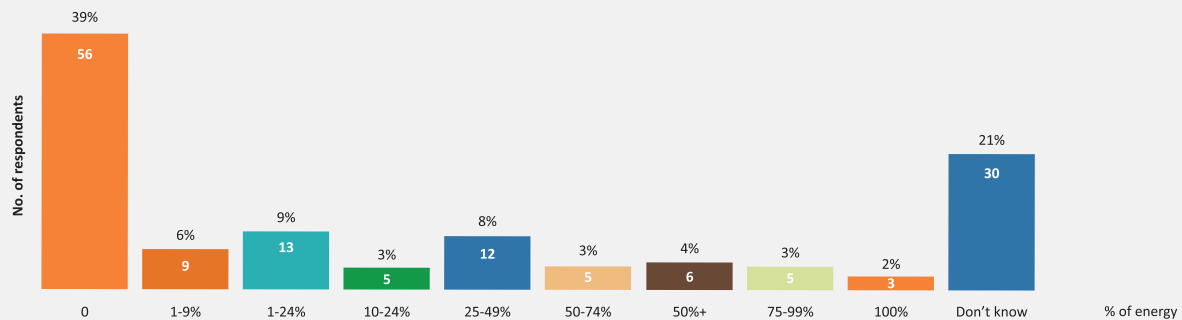
Increased use of renewable energy is an area our network continues to explore. Singbee, a second-generation lighting business from China, is an example of one family business that recently decided to make a big leap in this area. Through

their participation in a Polaris Peer Group, they identified installing solar panels on their headquarters as a potential area for improvement. After analysing the pros and cons, they found it would be both a sound financial decision and a big step toward reducing the company's environmental footprint. They installed the system last fall and have been reaping the rewards ever since.

Low Impact Renewable Energy Use

Number of Respondents: 144

During the last fiscal year, what % of energy used by your company came from low-impact renewable sources?



Low Impact Renewable Energy Use

Source: B Analytics platform, Sept 2018

As a network, we have seen a slight improvement in renewable energy usage over the numbers we reported last year. FBN member families can learn from pioneers in our network like Singbeeⁱⁱⁱ, Grupo Contempo^{iv}, Acciona, Macphie^v, etc. and join together with other family businesses in building the low-carbon economy of the future. As Winson from Singbee reflects, *We are on a mission to show businesses in China and around the world that lowering our carbon footprint will be both good for the environment and the bottom line of our business.*

Sharing Values and Creating a Legacy

As family businesses, we are aware of the important role family values can play in shaping our enterprises. Our businesses inevitably reflect what our family stands for in the world and can even play a role in shaping how people think of us as individuals. Just like sharing our impacts, it is important that we work to clearly communicate these values with all of our stakeholders, so they aren't left open to interpretation. One example from our network that works tirelessly at this is Pacari^{vi} -

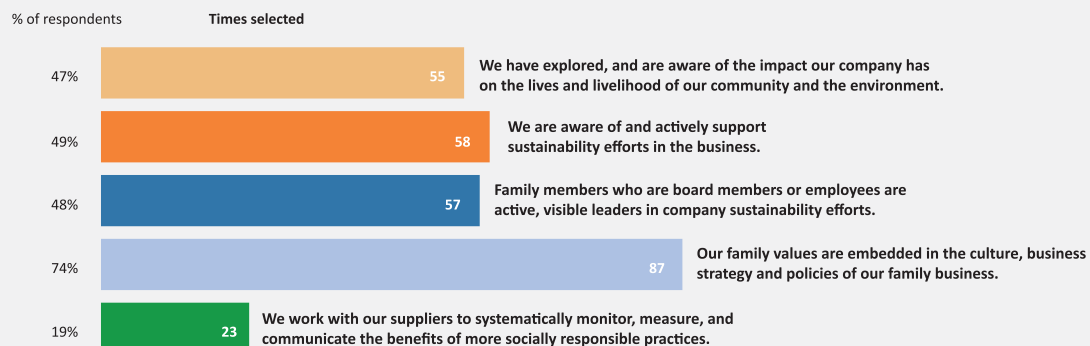
a second-generation family business focused on making high-quality organic chocolate in and from Ecuador. Santiago and Carla Peralta work closely with the farmers who supply the raw cacao they turn into chocolate, which not only guarantees them quality cacao, but also has ingrained in them a responsibility to improve the lives and education of those working with them.

It is important to note that Pacari has also made a conscious choice to only produce dark chocolate. This is because the impacts connected with milk production in Ecuador make it difficult to find a supplier that is local, environmentally responsible, and consistent with their values. Making this business decision wasn't easy as they could expand their market even more if they produced milk chocolate. Admirably Pacari is determined to act on their values, ensuring that their chocolate has a positive cultural significance and social influence. As Santiago asserts, *We want to build a business focussed on delivering positive impacts and creating a legacy that is grounded on the values we learnt from our parents.*

Owners sharing their values with stakeholders

Number of Respondents: 118

As owners, do you send a clear message about what is important to you, both in terms of results and in terms of how you act with employees, customers, suppliers, and the community? Please check all that apply.



Owners sharing their values with stakeholders

Source: B Analytics platform, Sept 2018

Impact Reporting

Number of Respondents: 170

Does the company produce a public-facing annual report detailing its mission-related/sustainability performance? If yes, does this report include the following?



Impact Reporting

Source: B Analytics platform, Sept 2018

Silence isn't Working, Our Story Must be Told

As a network, we are currently better at sharing our values with our stakeholders than sharing the positive impacts we create. As one can see from the graph above, many of us choose not to publicly share our performance in any kind of public-facing annual or sustainability report.

One plausible reason for this is that many FBN members are privately held and are not mandated to share this data in the same way that many publicly traded companies are. Unfortunately, this lack of transparency is a major contributor to the perception that family businesses lag behind non-family businesses when it comes to societal contributions. However, this perception doesn't align with the reality that 81% of the world's

largest family businesses practise philanthropy and 56% of all family business owners personally oversee the progress and effectiveness of their philanthropic projects.^{vii} By not telling our stories, we are collectively 'squandering an advantage'. We know every family and family business in our network has a story to tell and it is time to spread the word about the positive impacts we are creating in our communities and beyond.

The PIA is an invaluable tool in this process as it allows family businesses to better quantify their impacts, see how they stack up against their peers, and identify areas for improvement. Knowing these key points will give you the information needed to tell your story, providing a clear path to creating greater impacts. Sign up today and start measuring what matters to your family business!



i Edelman Trust Barometer (2017), Special Report on Family Business, <https://www.edelman.com/trust2017/family-business-trust>
 ii 2017 Polaris Publication, Volume 3, p. 24
 iii 2015 Polaris Publication, Volume 1, p. 32

iv 2017 Polaris Publication, Volume 3, p. 44
 v 2016 Polaris Publication, Volume 2, p. 48
 vi 2017 Polaris Publication, Volume 3, p. 48
 vii Edelman Trust Barometer (2017)

POLARIS – PUBLICATIONS AND PLATFORMS

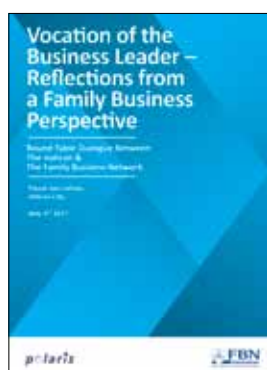
Creating positive impacts for all stakeholders is an evolving iterative process. Log on to FBN XChange for publications, tools and case studies specially developed for FBN members.



Polaris Volume 3 – Family Business as a Force for Good

(November 2017)

This publication examines what we desire for our future state. As a community of purpose-driven enterprises, family businesses strive to be net positive, putting more into society and the environment than what we take out. We explore the evolution of new models that blend business and social value, learn how we can further our impact, and journey with fellow family businesses who are bringing prosperity to the many rather than just a few.



Vocation of the Business Leader – Reflections from a Family Business Perspective

(May 2017)

Developed in concert with Vatican leaders and the FBN Thought and Religious Leaders Group, this document acknowledges the pressures causing business leaders to believe that their professional lives are incompatible with their spiritual lives. It urges leaders to eschew a divided life and embark on the alternative path of servant leadership. The document further explores the role of family businesses in the formation of business leaders as responsible stewards, and family businesses as agents of social and economic inclusion.



Polaris Volume 2 – Building a Flourishing Family Business

(November 2016)

Flourishing family businesses invest in communities to engage all stakeholders and promote development. This publication highlights the importance of vibrant communities for flourishing family businesses and explores opportunities identified in the UN SDGs. It outlines the Polaris Impact Assessment (PIA) and introduces the Polaris Peer Groups – support networks that empower family members to accelerate their journey and further their positive impacts.



Polaris Volume 1 – Tools & Inspiration from Across the Network for Building a Sustainable Family Business

(October 2015)

2015 was a watershed year for sustainability with the introduction of the UN Sustainable Development Goals and the opportunity for business to be a global force for good. Learn how FBN members are contributing to these goals, engage with tools to chart your True North, and discover why sustainability is the key driver of innovation.



Family Conversations on Sustainability

(September 2015)

A family has many voices – and often emotional ones, making it hard to bring all these voices into harmony. To encourage smooth and constructive family meetings on creating positive impacts, we have created Family Conversations on Sustainability – a guide that sets out useful principles and practical suggestions for conducting effective, multi-generational meetings.



Guide to Polaris

(October 2014)

Sustainability is a journey, not a destination. As the family business progresses on this journey, cultures of both the family and business evolve, engagement increases and spheres of influence expand. The publication highlights at each stage the key focus, outcomes, process and stakeholders that need to be engaged. It maps out critical activities including Forming Sustainability Circles (Setting the Stage), Stakeholder Mapping (Holding the Mirror) and Measuring the True Cost of Business (Innovating for the Future).



Families for a Sustainable Future

(October 2014)

An overview of Polaris underlining why family businesses are the front-runners for sustainability. *Families for a Sustainable Future* highlights the role of the family and the champion within it, and features the five-stage sustainability roadmap for family business.



Polaris Impact Forum – Putting Purpose into Profit

(June 2018)

WBCSD Chair Sunny Verghese, sustainability guru John Elkington and a host of other experts share insights on how family businesses can stay ahead by embracing breakthrough thinking, technology and change. Expert panels, in-depth workshops and PPG deep dives enable Polaris champions to map materiality, determine areas of risk and identify new markets presented by the UN SDGs.



Truth to Power – Al Gore at the Polaris Training for NextGen Leaders

(July 2017)

Nobel laureate Al Gore combines cutting-edge research from top scientists around the world with photos, personal anecdotes, and observations to document the fast pace and wide scope of global warming. He shares his slides and talking points with NextGen Polaris Champions as he challenges us with three questions – Must we Change? Can we Change? Will we Change?

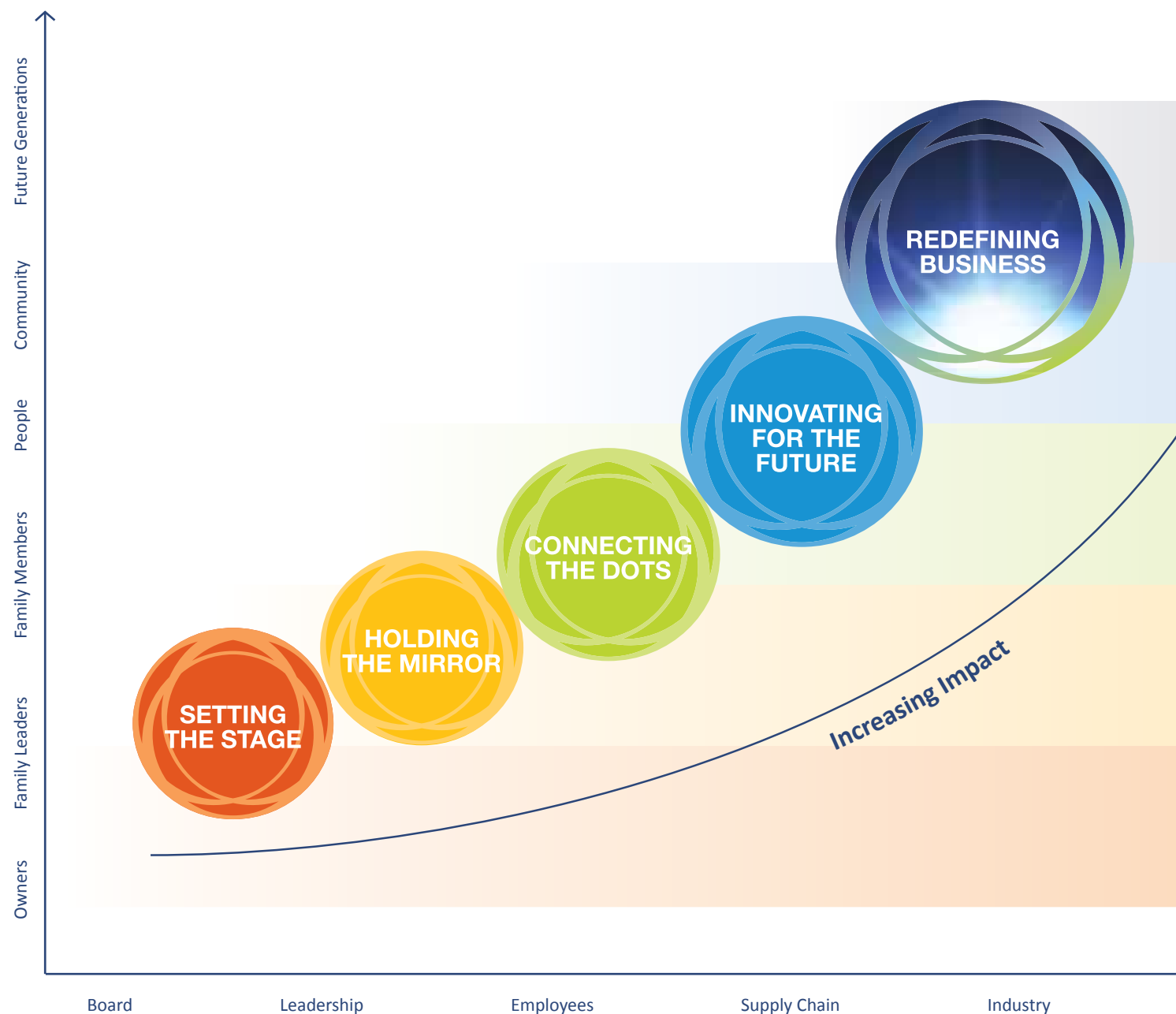
THE *polaris* ROADMAP

Polaris is named for the North Star, a guiding light that has been used for thousands of years by explorers, as its position on the northern night sky marks the Earth's geographic north pole. Just as our forefathers depended on this guiding star, family businesses can draw inspiration from the Polaris Framework as we journey to find our True North – a clarity of purpose that uniquely expresses our calling and guides our every decision.

Polaris has been developed with the interests and challenges of family businesses at its core.

The framework is meant to help your family business assess its current state, and inspire it to find its own True North. It is grounded in systems thinking and prioritises engagement with all stakeholders and partnerships that create *win-win* situations. We encourage you to *learn* with fellow FBN members, *share* your experiences and *inspire* others as you forge a path forward that suits the unique needs of your family, business, communities and future generations.

Family



The Stages of the Journey

As both the family and the business progress on this journey, engagement will increase and spheres of influence will expand. Most significantly, the culture of both will evolve.

The process begins with an *Awakening* of the family and business leadership.

This translates to heightened *Awareness* of what's truly at stake.

An *Alignment* of people follows, which opens up their capacity to engage in efforts to increase their positive impacts.

Momentum gained will lead to *Activation* – inclusive acts that energize family members, employees and others who in turn champion the ongoing journey.

Ultimately, your *Advocacy* with an activated group of family members, employees and other change agents will help redefine the way business is conducted, for this and future generations.



ACCIONA

THE ROAD LESS TRAVELLED – OUR JOURNEY TO SUSTAINABILITY

by José Manuel Entrecanales, Executive Chairman and CEO, ACCIONA S.A.

Nature of Business: Renewable Energy, Infrastructure

Industry Sector: Construction, Energy

Family Business History: 3rd Generation

Provenance: Spain

Setting the Stage

One of the main challenges facing family-owned businesses is how to innovate, adapt and respond to a changing world while remaining true to the vision and spirit of their founders. It is hard to break with tradition; harder still to discern which elements of tradition need to be protected and made compatible with progress and transformation.

Acciona's origins lie in construction. It was founded in 1929 in Seville by my grandfather, José Entrecanales, who was then a young Spanish engineer. I am the third generation of the family to head the group, which today employs 38,000 people in more than 40 countries and is a leading provider of sustainable infrastructure and renewable energy worldwide. The extended Entrecanales family owns a majority stake in Acciona, an Ibex 35 blue-chip company listed on the Madrid stock exchange. The Group posted a turnover of €7.25 billion in 2017.

Acciona's hallmark, and a big source of pride, is our environmental and social stewardship and our leadership in climate action. The Acciona group of companies became carbon neutral in 2016 – the first infrastructure and energy group in the world to do so.

Family businesses are intergenerational affairs, and every new generation has the duty to build on the legacy it inherits. My grandfather designed and built some of the key public works that modernised Spain in the 20th century. My father's generation launched Acciona's international expansion. I have been the group's Executive Chairman and CEO since 2004, tasked with steering the group decisively towards the

provision of sustainable infrastructure, clean energy and water management.

Now Acciona wants to go further. We are on a mission to convince investors, financiers and corporate leaders of the need for a new business paradigm – one that gives priority to investing in our planet rather than exploiting it. We want to bring sustainability into the mainstream so that businesses are valued as much for their long-term management of human and physical resources as for their financial results.

I firmly believe that the best legacy I can pass on to future generations is a new way of doing business: mindful of the Earth's finite resources, and committed to harnessing capital and sustainable technologies to deliver low-carbon prosperity. Far from being a break with the past, I see the road ahead as a natural evolution of the faithfulness of purpose and shared, long-term vision of three generations of Entrecanales.

Holding the Mirror

In the 1990s, the leaders of Acciona saw that the relationship between business and society was changing. Companies began to face greater demands for accountability, and this had a tremendous impact on issues such as employment policies, resource management and environmental protection. The concept of sustainability gained currency. We understood that these trends were bound to gain great force and momentum. Not adapting would have put the company's long-term viability at risk, and with it, the ability to pass on a stronger, more resilient business to the next generation.

Back then, in a strategic attempt to diversify from the highly volatile sector of civil construction, Acciona invested in a number of different industries. Among these was a particularly attractive opportunity in a cluster of new technologies around renewable energy that had the potential to become a source of recurrent



From its first wind farm in Tarifa, Spain to this one in Gouda, the first wind farm in South Africa, Acciona has come a long way

and predictable income, which the traditional construction business alone could not provide. These technologies were not proven, though they certainly showed potential. The company's first steps with renewables were challenging. In 1992, when wind power was still in its infancy, Acciona invested in a wind farm on Spain's windy Atlantic coast, near Tarifa. The wind turbines were midgets compared to today's 120-metre giants; there were no skilled technicians, hardly any spare parts, and no precedent for running wind farms as a business. Banks were understandably sceptical of a construction company branching out into a new sector – energy - with unproven technology, so only short-term funding was available, and it was expensive.

In spite of all the financial and technical hurdles, Acciona's first wind farm at Tarifa – currently under renovation with state-of-the-art technology – became a success. It proved that wind power could be economically sustainable in Spain even with the technology available back then, light years away from the efficiency of today's wind turbines.

Encouraged by this first foray into renewables, we saw a universe of opportunities with tremendous social, economic and environmental benefits, particularly in countries – like Spain – with no fossil fuels but abundant wind and solar resources. Traditional utilities appeared uninterested in renewables, leaving the field wide open for newcomers. Both society and regulators, as well as advances in clean technologies, appeared to strengthen

the business case for investing in this nascent sector. This convinced Acciona's board that the company should concentrate its investment efforts in becoming a pioneer in renewable energy.

The hugely profitable sale of a stake in a mobile phone operator in 2002 – a start-up company in which Acciona had invested a decade before as part of its diversification efforts – gave Acciona the funds to scale up its ambition. Just as Acciona's engineering prowess had been an important driver of progress in the 20th century, the company now seized the opportunity to lead a technological revolution in the energy industry. In just over a decade, Acciona became a world leader in clean energy, supplying zero-emissions electricity to more than six million homes in 14 countries.

At the same time as we were developing our expertise in renewable energy, Acciona saw the need to respond to another sustainable challenge: the acute problem of water scarcity, caused by global warming and agricultural and population pressures. In many respects, Acciona's move into the water sector was a natural development for our infrastructure business, and in 2004 we began investing in both water R&D and in companies with very specific technological know-how. These strategic investments have made Acciona the world leader in reverse-osmosis desalination and a key player in all water treatment technologies. Today, our drinking water, wastewater and desalination plants provide this most essential of life-giving services to more than 90 million people around the globe.

Connecting the Dots

It was not all plain sailing. The 2008 financial crisis and subsequent recession dealt Acciona a double whammy: public investment in infrastructure projects in Europe dried up, while in Spain, the government imposed *retroactive* cutbacks on incentives for the production of renewable energy. The slump in infrastructure investment hit Acciona's construction pipeline, but the retroactive cutbacks to incentives did more damage – introducing regulatory instability and uncertainty into our business plans, halting all investments and dividends, and forcing Acciona to take a deep cut to the value of its renewable energy assets.

At the same time, traditional utilities and oil companies in Europe and North America reacted to the threat of a new energy paradigm by redoubling their attacks on renewable energy. They poured doubt on the relevance of clean technologies and succeeded, temporarily at least, in making climate change a partisan debate. As a result, energy policy became politicised, more governments imposed retroactive legislation, and renewables came under a cloud.

It was the 'perfect storm': sudden retroactive cuts in the remuneration of renewable energy assets, zero public works, and a drought in bank and market financing. Fortunately, Acciona had always been prudent in its debt and balance sheet management, and conservative with dividend payments. This, together with a cohesive management team and a committed core of family shareholders, provided the company with the necessary stability to weather the storm and emerge stronger a few years later.

With the wilderness years behind us, Acciona redoubled its efforts and opened new markets in Latin America, Australia, India and South Africa, where it found a ready demand for its expertise in renewables, water treatment and complex infrastructure projects.

Creating Impacts

Today, renewable energy is again the fastest-growing sector of the global energy industry. It is also the most competitive source of new energy and it enjoys, once again, widespread demand and popular support. In addition to dramatic gains in technological efficiency and falling costs, one of the main game-changers has been the growing number of companies that are turning to renewables to power their operations. A vast Acciona solar plant in the Atacama Desert now powers Google's data centre in Chile; Acciona wind farms feed electricity



Acciona solar plant in the Atacama Desert

to Cemex's cement plants in Mexico; and a wind farm built by Acciona helps power IKEA's operations in the US. Other renewable energy plants built and operated by Acciona are supplying zero-emissions electricity to the mining industry, retail stores, railways and even the Prado and Thyssen-Bornemisza museums in Madrid.

At the same time, the provision of all kinds of infrastructure, from water and sanitation to urban metros to high-speed rail, from ports and bridges to schools and hospitals, is also evolving. We are seeing more private sector financing and involvement, a greater focus on the social and environmental impact of infrastructure projects, and more emphasis on the building blocks that create strong, resilient communities.

Business and economic paradigms do not change overnight. They require hard work, the construction of alliances to forge a new consensus, and crucially for companies, internal as well as external transformation. The challenge is to ensure that these changes go hand-in-hand.

So while Acciona was becoming a leading advocate of the role of business in the fight against climate change, we were also changing internally to practise what we preached.



“Acciona participates in two industries – energy and construction – that are among the biggest CO₂ emitters in the world, and we were intent on showing that companies can be growth-oriented, carbon-neutral and profitable even in these high-emitting industries.”

- José Manuel Entrecanales, Executive Chairman & CEO

In 2010, the company launched its first, five-year Sustainability Master Plan that succeeded in cutting the Group’s global carbon emissions by 43% in five years. Acciona also focussed on saving and recycling water to generate a positive water footprint (producing more clean water than it uses). But no company is an island, so we also worked with our 28,000 suppliers to measure *their* greenhouse gas (GHG) emissions and water footprints. This allowed Acciona to identify the biggest emitters - some 500 suppliers responsible for 70% of the CO₂ tally of the group’s global supply chain. We are now working with them to reduce the carbon and water footprints of our global supply chain.

Identifying Next Steps

In 2016, Acciona became the first infrastructure and energy group in the world to neutralise its carbon emissions. We did so by combining our own significant efforts in reducing our carbon footprint with the acquisition of Certified Emission Reduction credits from UN-certified clean development projects in emerging economies. We are now mid-way through our second five-year Sustainability Master Plan that aims to make Acciona even more mindful of the resources it consumes. We will continue reducing our emissions, by a further 16% by 2030 from a 2017 baseline, even as our business continues to grow. We hope to achieve our goals through sustainability initiatives with our suppliers; by buying more green energy for our global operations; by increasing our use of recycled water and by investing in R&D to increase the use of sustainable materials in construction

and to increase the energy-efficiency of Acciona’s assets, including energy-intensive desalination plants. Our progress is assessed by specialist external auditors such as the Carbon Disclosure Project, which has included Acciona in its Climate “A” list of international companies that lead the fight against climate change. We also belong to the FTSE4Good and Ethibel sustainability indices.

Acciona believes it is creating value through its environmental stewardship. Every day, we aim to demonstrate that sustainability and profitability can and should go hand in hand. Thankfully, we are no longer alone. A growing number of companies are becoming more vocal in their support for climate action and sustainability. Like Acciona, they are engaging governments and their stakeholders and making their voices heard through organisations such as the UN Global Compact, the World Business Council for Sustainable Development and the Prince of Wales Corporate Leaders’ Group.

It is clear that society has come a long way since the 1990s. It is encouraging to see the business practices pioneered by Acciona gradually taking hold. The business case for a low-carbon future has never been stronger, even if the challenge has never been greater. But as is often the case, society’s challenges can be business opportunities too.

Every day, we aim to demonstrate that sustainability and profitability can and should go hand in hand. Thankfully, we are no longer alone.



Can a construction company build a better world? We've set our sights high – and are transforming Acciona to reach our goal

BIOFILTER

CIRCULAR ECONOMY – BUILDING A BUSINESS THAT TURNS WASTE TO VALUE

Nature of Business: Environmental
Industry Sector: Bioenergy
Family Business History: 2nd Generation
Provenance: Hungary

Setting the Stage

Founded in 1990 by György Deák, Biofilter is a Hungarian family-owned environmental company specializing in the bioenergy sector. The company collects and processes used cooking oil from the HORECA (Hotel, Restaurants, Catering) sector which is then used as raw material for producing biodiesel at plants in Hungary and neighbouring countries. It also collects and processes food, animal and vegetable waste from the HORECA sector and the FMCG (fast moving consumer goods) sector that can no longer be marketed because it has expired or is not meant for consumption. These types of wastes can be used to generate heat, energy and electricity after they have been processed at biogas plants. 100% of the organic waste collected is used for renewable energy production.

Biofilter currently has a national collection and international processing network of more than 4,500 contracted partners. With a workforce of just under 100 employees, Biofilter covers approximately 70% of the Hungarian market with seven collection points nationwide. It achieved revenue of 6.5 million Euros in 2017.

The family is completely committed to the business. Patriarch Deák is the principal owner and CEO of the company and his wife and two daughters are also shareholders: Older daughter Dóra handles strategic business development while younger daughter Brigitta is a marketing manager and sustainability ambassador.

Holding the Mirror

Biofilter has always stood for social and environmental responsibility throughout its 28-year history. Since



Founder György Deák with daughters Dóra (left) and Brigitta

its founding, the central mission of Biofilter has always been to collect waste and make a valuable product out of it. Biofilter believes that circularity, innovation and transparency are themes that will dominate tomorrow's business conversation. The company's vision focuses on delivering two main goals, one corporate and one operational. The corporate goal is to supply the renewable energy sector with a reliable source of raw materials in the long term and to keep all the collected waste out of landfills. The operational goal is to responsibly collect and process the organic wastes while protecting the environment by emitting the least possible amount of carbon dioxide during their operations.

Biofilter started the collection of used cooking oil from the HORECA sector in 1990. The business collected 62 tons in its first year and by 2017 they were collecting and processing 6000 tons per year. For the last 10 years, the company has supplied biodiesel plants with second-generation raw material which they can blend in their biofuel mix and keep the waste out of landfills. In Hungary biodiesel is currently blended with diesel at a rate of 4.9%, but that percentage will increase to 6.4% in 2019 as the country looks to lower its carbon dioxide emissions. As its production process has evolved, Biofilter has realized that after the oil is purified, only 90% of it can be used by biodiesel plants, so they have worked hard to find solutions for the 10% that is left over. Recently they discovered that this leftover substance is a great raw



On the pathway to sustainability, nothing goes to waste

material for biogas production, so they are now recycling 100% of collected waste for bioenergy generation. Biofilter also began collecting food waste from restaurants in 2004 when Hungary joined the EU, as companies now had to comply with stricter regulations for this type of waste. In that year several biogas plants started to test new kinds of fermenters and food waste proved to be a perfect raw material for biogas production. Currently, Biofilter is primarily working with the South-West Wastewater Treatment Plant to feed their biogas fermenter. That plant is now generating enough electric and heat energy from this fermenter to completely cover their energy usage. Hopefully, this is just the beginning, as going by the collected food waste in 2017, they could generate more than 10 million kWh - which is equivalent to the yearly energy usage for approximately 5,000 Hungarian households.

In terms of its operational goal, Biofilter began to focus heavily on the sustainability of its day-to-day operations in 2014. Along with the core values it had already established, the company created a Sustainable Agenda which focuses on implementing a Green Office Program, Digital Document Management Software, and introducing a new Integrated Management System. The main objective of this Agenda is to create measurable and transparent sustainability goals that can help the business minimise its carbon footprint.

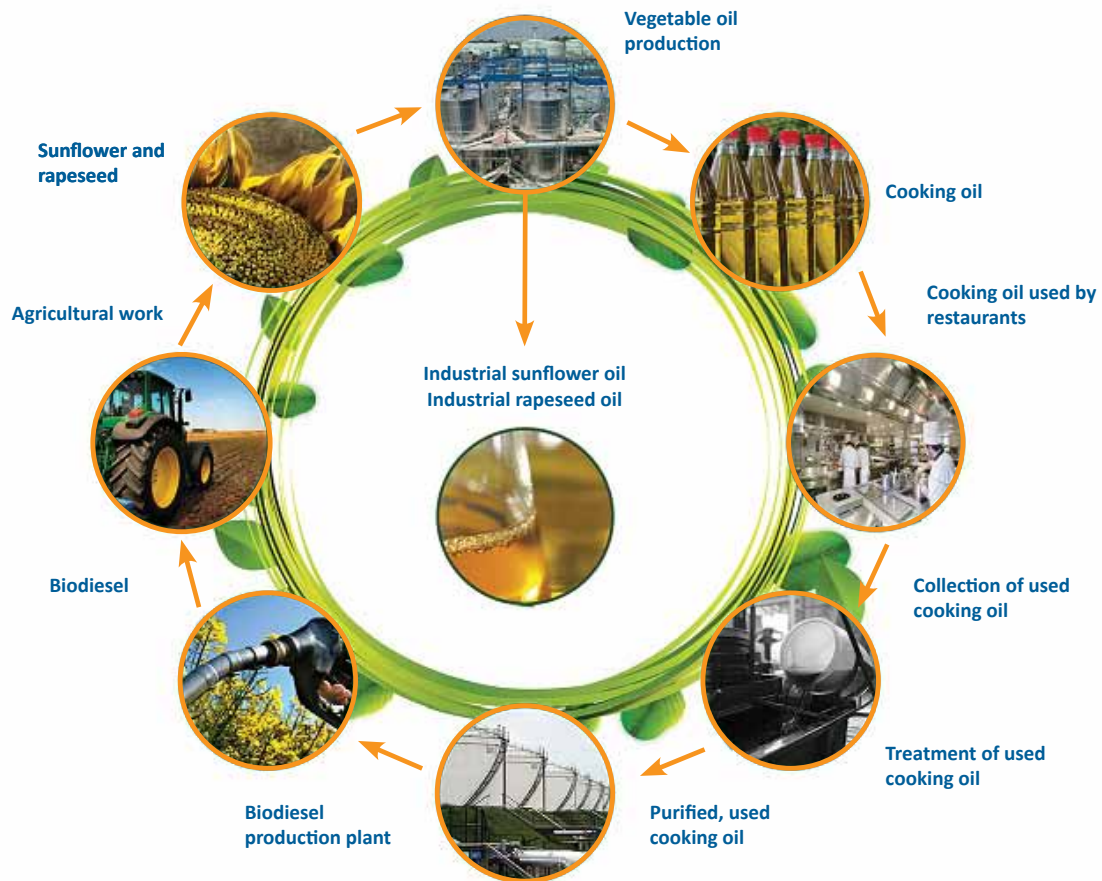
Connecting the Dots

The most important factor the leaders considered when creating the company's Sustainable Agenda is whether it has a purposeful, long-term perspective which would enable it to create value for the world. Since Biofilter supplies the bioenergy sector with collected organic waste, its activities are not only zero

emission, they save thousands of tons of carbon dioxide which would otherwise enter the atmosphere. At the same time, Biofilter remains focused on pursuing both the sustainability of its operations and profitability. Since the bioenergy industry is always changing and developing, Biofilter also needs to be ready to adapt its approach in order to remain compliant with any new regulations or laws.

One focus of the company's Sustainable Agenda is to go completely paperless by 2020 via a three-step process. First of all, Biofilter implemented a Green Office strategy, so all of its employees can be involved in the process of the green transition. The goal was to show how this objective can be attained through a relatively simple process. The company has now built a selective waste collection system, purchased more eco-friendly equipment, and set all the computers to two-sided printing as a default. As a second step, a new digital document management system was implemented in 2016, allowing the company to manage and archive all documents through a digital workflow. The final step was taken in 2017 when the company transitioned to handling all administration digitally – a significant shift in employee mindset and behaviour which allowed Biofilter to embed the foundation of an integrated management system.

One of the biggest impacts of the Green Office programme is that Biofilter now has data on additional areas of their business (e.g. paper usage and waste volumes). They have also raised awareness of sustainability issues among their employees by launching a "Move it Bio!" healthcare and environmental programme. This programme has included a series of sporting activities, as well as the creation of a quarterly internal green newsletter. Biofilter is also engaging with their local community through the creation of a residential used cooking oil collection



Circularity and innovation in action

twice a year, which has helped raise awareness of the importance of selective collection. To engage with the wider Hungarian audience, Biofilter has launched an educational website in Hungarian called “Környezetért” (www.kornyezetert.hu) which is updated monthly with environmental news and related interviews. It is hoped this website will help encourage all Hungarians to “Lépd meg a környezetért / Take a step for the environment”.

Creating Impacts

In 2016, Biofilter collected and processed more than 13,000 tons of organic waste, which resulted in saving approximately 19,000 tons of carbon dioxide emissions. This is equal to the emissions of almost 4,000 cars driving non-stop for one year. The carbon dioxide emission savings in 2017 looks to increase to 20,000 tons, based on the growing volume of waste they collected and processed.

On the operational side of the business, there is no avoiding the fact that Biofilter has to emit carbon dioxide to stay in business. To better measure these emissions, Biofilter joined the testing period of the French Clim’Foot Program in 2016, which is a European system for carbon footprint calculations. According to the results from 2016, Biofilter emitted 1,555 tons

of carbon dioxide in total. The largest part of these emissions comes from deliveries and logistics (64.6%) and the second largest is from energy usage (27.8%). The rest of the emissions come from the transportation of employees and guests (4.6%), from generated waste (2.6%) and other input materials (0.3%).

In order to reduce their logistics emissions, the company continuously improves their car fleet with modern, higher EURO level trucks which have less emissions. In 2017 Biofilter had increased its EURO VI trucks on the road from 7% to 23% as compared to 2016, as well as buying two hybrid company cars. Their energy usage mostly happens at their factories, so the company has started to optimize their energy consumption by implementing the LEAN approach and instituting other technological developments. In turn, the company was not only carbon neutral in 2016, but they saved 17,445 tons of carbon dioxide from reaching the atmosphere.

With their new Digital Document Management Software called HABEL, administration time has decreased by more than half, which has also increased productivity significantly. Through the Green Office programme and their digital document management software, the company avoided printing almost 13,000 pages in the first half of 2017 compared to the same

period in 2016. Altogether, Biofilter reduced the printed paper volumes by 44% from January 2016 to June 2017, so they are well on the way to their goal of going paperless by 2020.

Biofilter has also received two awards for Business Ethics, from Transparency International in 2015, and from the Hungarian Piac and Profit magazine in 2016. The company's most prominent recognition was in 2016 when they were named a Top 10 European business in the Environment and Corporate Sustainability category at the European Business Awards. In 2018, Biofilter has already been nominated for a "Rising Stars" award at the European Business Awards for the Environment organised by the European Commission.

Identifying Next Steps

Change can sometimes feel threatening, so Biofilter wants to be an example of how these changes can turn into a sustainable and valuable approach for all of its stakeholders and the environment. Therefore, transparency has become one of the company's most important priorities when it comes to communicating with their employees, partners and local communities. To further this goal, Biofilter took the Polaris Impact Assessment in 2016 to measure, benchmark and improve their impacts and embarked on B Corp certification a year later.

Biofilter's B Corp Impact Assessment has identified additional opportunities for furthering their impacts and this dynamic family business is rising to the challenge. First, Biofilter can take steps in the areas of both governance and community by focusing on mission lock and creating a supplier code of conduct. There are also opportunities in the areas of workers and environment, and Biofilter is building an action plan that will allow them to improve in all of the areas over the next two years.

In the short term, Biofilter will be conducting yearly reviews of the Green Office programme, and will work to define actions that will continue to both create a positive environmental impact and increase employee satisfaction.

In 2018, Biofilter will publish its first sustainability report covering the years 2016-2017. The report will document all the innovations and impacts that Biofilter is creating, and encourage stakeholders and ecosystem partners to join their sustainability journey. Beyond the current state of their business, Biofilter also



Biofilter volunteers participating in the Hungarian Clean Up Europe program

recognizes there are looming risks that the company will need to consider while planning for the future of their business. Will the organic waste management industry in Hungary continue to be supported by the current EU legislation for alternative energy production? Or will the Hungarian government change the rules of the game? Is the company supporting their managers and talent in order to keep them motivated for the long run? As a family business, are they ready for the transition in leadership and are they ready to give more power to next-gens? These important questions and more will certainly shape the future success of Biofilter, but their dedication to building a sustainable family business in all aspects of their operations has certainly positioned them well to be around for generations to come.

“Being an environmental family business, we believe that we always need to go further than business as usual. Our business creates the opportunity to support the creation of alternative and renewable energy from organic waste, but we cannot stop there if we aspire to create a sustainable future for our children and their children. We must look to implementing other ambitious goals like shifting all of our operations into the digital age and continue to push to reach all of our sustainability goals by 2020. There is a long road ahead of us, but we believe that this is the only path we can take to become a future-proof business.”

- Brigitta Deak, 2nd generation family member

Developed with Brigitta Deak, Biofilter



Biofilter is a certified B Corp, a global movement using business as a force for good. B Corps attract talent, foster community engagement and meet the highest standards of verified social and environmental performance. Learn how your family business can drive impact by taking the FBN Polaris Impact Assessment at www.fbnpia.org

DE AGOSTINI GROUP

AHEAD OF THE GAME – ACROSS SECTORS AND GENERATIONS

Nature of Business: International group, organised in the form of a financial conglomerate

Industry Sector: Publishing, Media and Communications, Finance, Gaming and Services

Family Business History: 4th Generation

Provenance: Novara, Italy

Setting the Stage

It's challenging enough to find a foothold and succeed in one industry. But to do so in four sectors at the same time is extraordinary. Yet this is what the family-owned international group De Agostini has achieved. Organised as a financial conglomerate with a presence in Publishing (via De Agostini Editore), Media & Communications (via Banijay Group and Grupo Planeta-De Agostini/Atresmedia), Finance (via DeA Capital and participation in Assicurazioni Generali) and Gaming & Services (via IGT), the De Agostini Group has consolidated revenues of close to EUR 5 billion and more than 14,000 employees around the world.

It has a storied history: In 1901 Giovanni De Agostini founded the Istituto Geografico De Agostini, which was active in cartography. In 1919 the company was taken over by Marco Boroli (1st generation) and Cesare Angelo Rossi, who expanded the cartography business; in 1946 the whole company passed into the hands of the Boroli family, which marked the start of the great development of the Istituto in the publishing sector, led by the brothers Achille and Adolfo Boroli (2nd generation) for over 30 years. In 1997 the Group's leadership was entrusted to Marco Drago (3rd generation), who launched an extraordinary strategy of diversification and activity growth that gave the Group an international presence in four strategic operating sectors.

The corporate governance rules that the Group has adopted give operational autonomy to the sub-holding companies, which were created to oversee each sector. Each sub-holding company manages its own markets and identifies development areas, while the holding



Marco Drago

company De Agostini S.p.A. guides and co-ordinates the subsidiaries. Moreover, within the Agostini Group, succession from one generation to another is managed according to the principles of meritocracy, based on specific cultural and professional requirements so that management careers follow a responsible progression.

“Combining tradition and innovation, De Agostini has always been open to market trends. This has enabled it to initiate a strong renewal process, while remaining anchored to the fundamental principles of family entrepreneurship.”

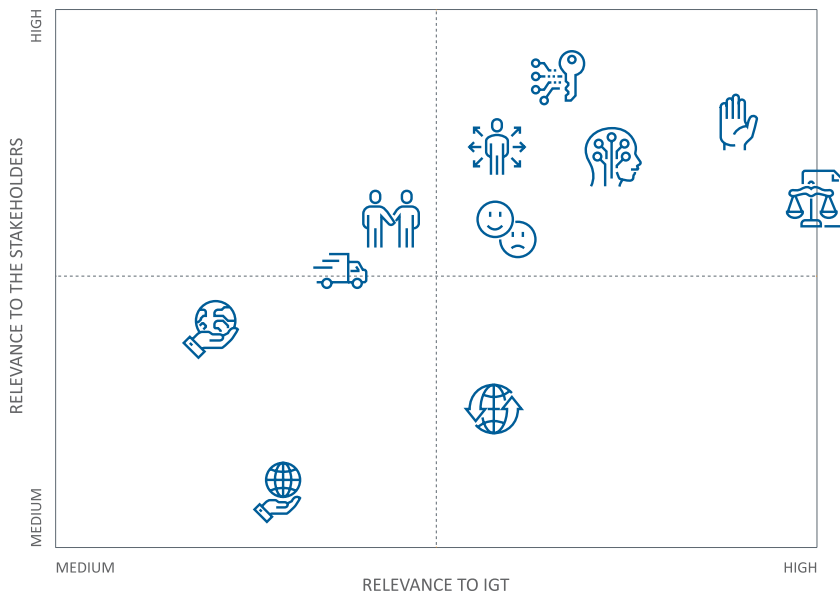
- Marco Drago, Chairman of De Agostini Group

Holding the Mirror

Throughout the long history of the De Agostini Group, the company has adhered to the principles of fairness and good faith in the conduct of its activities, in line with policies aimed at increasingly emphasising ethical values.

The Group's **Code of Ethics** sets out in precise terms the rules and responsibilities incumbent upon everyone working in all companies fully or partially owned by the Group. Transparency, communication, collaboration, team spirit, correct behaviour towards everyone and respect for company assets are the basic elements underlying the values and ethics of De Agostini. One beacon of best practice is **IGT**, as it strives to create stakeholder value by adhering to the highest levels of service, integrity, responsibility and innovation.

Materiality Matrix



Sustainability Priorities



As the world’s leading end-to-end gaming company, IGT is committed to responsible gaming, community development, and environment protection. To deliver on that commitment, IGT embarked on a **Materiality Analysis**. Areas are considered material when they reflect the organisation’s economic, environmental and social impacts or substantively influence stakeholders’ decisions. By examining media exposure around its activities, performing benchmark analysis of the most relevant aspects to competitors and peers while defining the most significant trends in the gaming industry, IGT was able to rank identified sustainability areas according to the likelihood and severity of impacts – thereby arriving at the importance and business impact of each area for the different stakeholder groups.

Connecting the Dots

IGT’s 2017 Materiality Matrix, identified ‘responsible gaming’ as having significant relevance and importance to the company and its stakeholders. In response, IGT established a Responsible Gaming Working Group comprising representatives from 11 functional areas that convenes at least twice annually to deploy and review projects related to responsible gaming – such as enhanced employee training, deterring minors from gambling or updating its advertising and marketing code of principles.

‘Fraud Prevention and Data Protection’ were also assessed to be of material significance to IGT and its stakeholders. The company takes a zero-tolerance approach to fraud, and has established comprehensive



“18+” campaign of IGT – Lottomatica to deter minors from gambling

systems and internal controls to identify, monitor and manage fraud risks. Today IGT keeps well over 100 billion transactions safe annually with cutting-edge cybersecurity technologies.

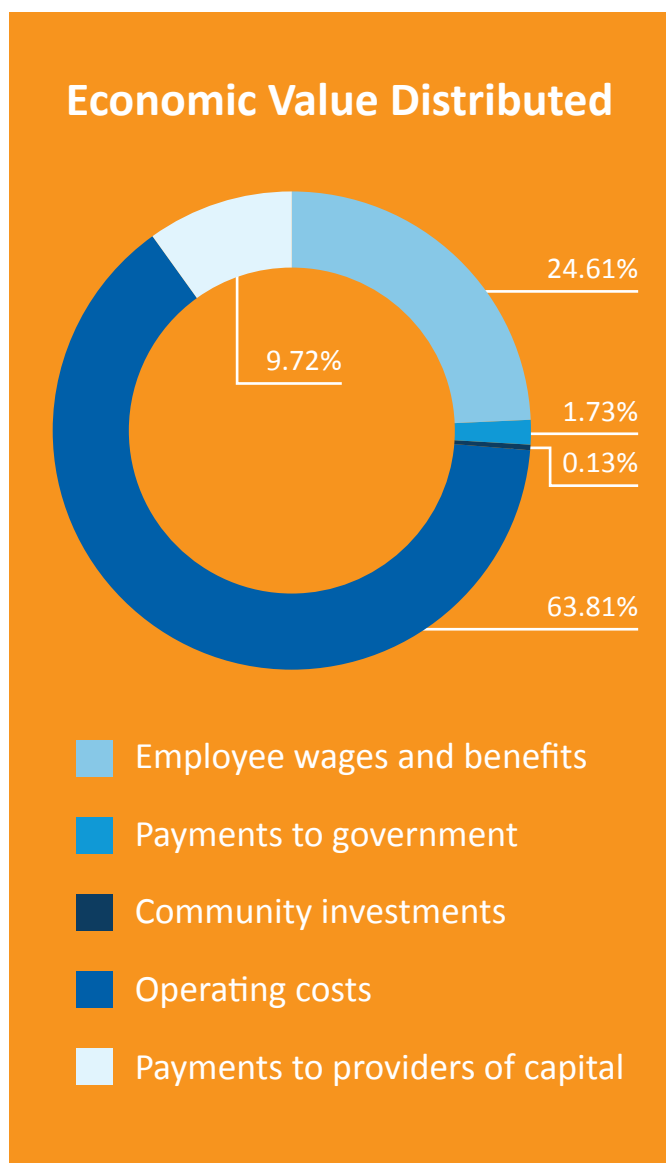
IGT subsidiary Lottomatica produces an annual community report that reviews all the corporate social responsibility initiatives supported by IGT that benefit the community and promote culture, art and sport. It also reflects IGT’s commitment to responsible gaming through initiatives to prevent gambling addiction and the spread of gambling among young people, and enhance cybersecurity to combat cybercrime in the gaming and betting sector.

Since 2010, Lottomatica has been listed on FTSE4good, the ethical ‘Sustainable Finance’ index, which lists the securities and companies that have distinguished themselves in the field of social and environmental responsibility.

The collective efforts of the global Responsible Gaming Working Group have made IGT the only vendor with distinct industry certifications for responsible gaming across the Gaming, Lottery, and Interactive segments.

Creating Impacts

In line with its goal of increasing value for the community, IGT analyses each year the generation and distribution of added value, which provides an alternative description of the financial numbers released by the company. By evaluating accounting figures with multiple stakeholders' interests in mind, the focus shifts from a mere Profit and Loss approach to one that also considers the distribution of economic value generated by the company to multiple stakeholders. This value, distributed to internal stakeholders (e.g. employees) and external stakeholders (e.g. communities), can thus be measured in a way that is supplemental to a strict financial view in which only shareholders' interests are to be satisfied, and provides a more comprehensive picture of the value the company contributes to the community.



In the “Media and Communications” sector, the Spanish Atresmedia group, in which De Agostini holds a strategic stake in view of a joint venture with its Spanish partner Grupo Planeta, has devised initiatives to help workers adopt a healthier and more sustainable lifestyle. Atresmedia’s employees have also set aside part of their time to work with charities and NGOs through the “Corporate Volunteering Programme”, while the “Project Th’nk” initiative, which helps Group employees realise their business ideas, runs a series of projects that promote innovation within the company.

In the Finance sector, DeA Capital and two related asset management companies– DeA Capital Alternative Funds and DeA Capital Real Estate – have supported the inhabitants of Arquata del Tronto (Ascoli Piceno), Visso (Macerata) and Monte San Martino (Macerata), which were hit by the August 2016 earthquake, donating four modules to support the areas’ farmers in their manufacturing and agricultural work. Working with partners, the three De Agostini Group companies have provided practical support and financial backing to foster the recovery of the local economy in an area severely hit by the earthquake. Shortly after the earthquake struck, the project was set up to help farmers who had suffered severe losses. It provided farmers with storage, workshop and livestock units that could be used as “shelters” in the event of bad weather or the need to stay with their livestock for protracted periods of time.



One of the modules donated by DeA Capital to the farmers of Italy's regions hit by 2016 earthquake

In addition to how each business strives to maximize its economic, social and environmental impact, the family has set up the **De Agostini Foundation** to streamline activities in the philanthropic and non-

profit sector. It follows the wishes of the Boroli and Drago families to use part of the revenues generated by the Group to support the Novara community, where the Group has deep roots, and also of other places in Italy and abroad. In addition to education and medical-scientific research, the Foundation has a particular focus on social hardship, disability, child support, and help with study and starting work. The Foundation finances projects that are likely to be self-supporting after the initial start-up phase, not least in economic terms, in line with the entrepreneurial spirit that characterises the De Agostini Group. The old welfare model, based mainly on public funding, has proven to be limited, and today it is financially unsustainable. The De Agostini Foundation believes that public-private collaboration is essential in the construction of a new virtuous economy, in which aid beneficiaries are no longer seen as passive recipients, but as resources worth investing in, with the aim of promoting professionalism, development, responsibility and inclusion. Since 2007, the Foundation has supported about 140 projects with grants totalling EUR 13.5 billion. The various projects have involved more than 50 partners and benefited around 87 entities.

One inspiring initiative has been the launch of tailoring project Sartoria Emmaus – a project by the Social Cooperative Emmaus aimed at creating professional opportunities for marginalised women– funding work grants and helping in the purchase of machinery to start the activities. The laboratory, hosted in spaces of the Village Emmaus, provided jobs to eleven people following a professional path. Thanks to the support of prestigious brands in the world of high fashion, which since the first year of activity worked alongside the tailoring shop offering competence and expertise, a path to growth has been made possible, which was necessary to reach the high professional standards required.

The skilled workforce and the workshop’s flexibility, that includes the possibility to deal with different types of processes, ensured that Sartoria Emmaus managed to make clothing for the mainline collections of brands like Versace and Missoni and other quality companies in the fashion sector.

With the success of this project in the last year, new orders have arrived and new spaces have been found to employ more people.



Sartoria Emmaus, a social enterprise project that is creating professional opportunities for marginalised women

Identifying Next Steps

Each generation of the De Agostini Group has made a significant contribution to company growth by combining traditional values with the ability to innovate for both the present and future. Going forward, it will be absolutely essential to preserve and keep family values alive and pass them on to future generations.

For several years now, the Group’s shareholders and senior managers have not only established rules for joining the company, but have also prepared an effective generational succession plan for the handover from the third to the fourth generation. In this context, several initiatives have been introduced to support young shareholders, such as the Intergenerational Council, with training and educational initiatives; the Strategic Lab, a forum for debating strategic issues; the Succession Implementation Committee, which assesses and follows young people interested in joining the Group; and the Career Service, which provides fully-fledged customised, professional guidance and support in assessing work and study strategies. The aim is to identify strong leadership skills among shareholders, with a clear distribution of roles among shareholders and company management as part of a modern corporate governance system, in line with the Group’s strategic planning.

For the De Agostini Group, the word “entrepreneurship” means courage, passion, internationalism, being open to innovation and anticipating change in order to ensure a socially positive impact on the community.

HELVAR

THE REVOLUTION OF LIGHT

Nature of Business: Energy-efficient Lighting Systems and Human-centric Design

Industry Sector: Lighting Technology

Family Business History: 5th Generation

Provenance: Finland

Setting the Stage

Steering a family business through the turbulence of the 21st century is demanding enough as it is. Shepherding six of them, is stressful beyond belief. Yet that is what Philip Aminoff appears to be doing with calm and purpose. A Finnish entrepreneur, 4th generation family business owner and great grandson of one of the two founding fathers of the network of family businesses, Philip is chairman of the board of the family's industrial holding companies and chairman of the Owner's Council of the family's automotive trade company. Dating back to 1901 when the first of these was founded, the companies remain fiercely independent and privately held. About 20 members of the Aminoff business family (spanning the 3rd to 5th generations) own and run nine 'Cousin Companies'. Three are in technical trade: automotive (Veho), automotive parts (Örum) and machine tools (MTC Flextek). Three are in the technology sphere: lighting electronics (Helvar), factory automation (Fastems) and audio-visual solutions (Electrosonic). And three delve in commercial real estate: Parator and Luna Holding in Finland, and Hawley Mill in the UK. Annual sales across the Group amounted to 1.6 billion Euros in 2017.

What is remarkable is the way the family has been able to harmoniously manage the nine companies over the years. Philip has a dual leadership role towards the business and family. Through a process of open communications and the regular 'pruning' of ownership shareholdings, the Aminoff family has enjoyed both success in the boardroom and peace in the family. *"We've tried to create an ownership structure where actively involved owners own at least 10% of the share capital. When*

you hold enough of the share capital of a company you feel responsible, and when it gets diluted you feel less so. In our family, there has been some pruning in the ownership structure in every generation."



"Towards the boards of our operating companies, I work to ensure that the family can convey as clear a message as possible on guiding principles and expectations for the businesses. Towards the family I see to it that business-related major news and questions are brought to the family in a systematic way, especially in questions where the board and owners jointly consider owner review and consent desirable."

- Philip Aminoff, *Chairman of Helvar*

Philip has chalked up the better part of a decade in the dual leadership role, and has the respect and support of his cousins to lean on. One responsibility he feels acutely, is the imperative to position and develop the Cousin Companies in ways that are beneficial to

their ecosystems, contributing to the development of the industry in which they operate, be it in terms of better well-being and lower energy consumption (Helvar), better productivity in the engineering industry (Fastems) or taking audio-visual experiences to new levels (Electrosonic).

Holding the Mirror

The family feels that *“a sustainable business is one where everybody in the ecosystem (customers, suppliers, employees, the public sector) finds it to be a good thing that the company exists and does what it does, evolving as needs change.”* As such, the family has, over the years, withdrawn from certain fields of business and individual technologies because of environmental concerns. As Philip muses, *“Life is too long for us not to behave responsibly in environmental matters.”*

Even as the Cousin Companies strive to position themselves to succeed in newer, more environmentally friendly markets, they face challenges in the ecosystem. For instance, the liberalisation of energy prices in Europe in the 1990s had the effect of causing businesses to question the value of investing in energy-saving technologies. Customers tended to need to justify their investments in environmentally friendly technologies with a pay-back calculation of return on investment. While it would have been meaningful for authorities to introduce incentives for switch-overs to more energy-efficient technologies – or conversely, introduce penalties for avoidable energy waste – such regulation needed meticulous planning as industry lobbyists were (and still are) immensely skilled at promoting particular solutions that give specific technologies unwarranted advantages or disadvantages.

Undaunted, the Aminoff family made a critical, strategic decision to pursue the environmental path – one that has set their businesses on a trajectory of sustainable growth. As Philip reflects, *“What you hide in snow, will be visible in thaw”* – This Nordic saying advocating transparency and responsibility underlies the family’s approach to business. The management, board and owners therefore jointly decided to focus not only on energy efficiency but sought to reposition themselves as a pioneer in human-centric and intelligent lighting by capitalising on technological innovations in the field and what they foresaw as a growing appreciation by consumers of the benefits of good lighting control.

How did this established family enterprise redefine their businesses and pivot towards a more sustainable future? The evolution of **Helvar** is a case in point.

Connecting the Dots

Founded in 1921, Helvar became a major player in the Finnish radio industry in the 1930s. Capitalising on the similarity of technology for ballasts that modulate current for a radio tube and ballasts for fluorescent tubes, Helvar had by the 1950’s started producing magnetic ballasts for fluorescent lamps. Over the decades, Helvar concentrated on lighting components, becoming a major player in the magnetic ballasts industry in Europe and pioneering the development of power electronics to a level where it could replace steel and copper. This brought about new benefits: Increased stability of the light of a fluorescent tube through the use of electronic ballasts, reduced energy consumption, and the ability to dim fluorescent tubes. Helvar was the first company in the world to be able to do this successfully. More significantly, once ballasts had become electronic and dimmable, it also became possible to make them intelligent.

Helvar drove the development that resulted in an industry standard that made it viable to bring intelligence to the component level in the lighting industry. This new standard, DALI (Digital Addressable Lighting Interface), is nowadays the leading lighting control protocol in Europe. With light sources that can be modulated both in terms of colour and intensity, and with intelligence available at component level, intelligent lighting control systems can be built that respond to the lighting requirements of the user, be it at the level of a luminaire, a room, an office, or an entire building. These can be automated as required, using presence detectors, lighting sensors and astronomical calendars. At the same time prices of the lighting and control components required have decreased significantly. Basically, technological progress has made it possible to create excellent lighting environments at affordable cost.

As interest in the combined benefits of good lighting and energy efficiency has taken off, Helvar has evolved its business model accordingly to ride the twin waves of technological advancement and market sentiment. Whereas the bulk of its business once came from sales of magnetic ballasts, the company owes its sustained growth today to the growing demand for and sales of its intelligent lighting control

systems. Helvar has invested in developing its position in this field for decades. As Philip puts it,

“We aim to develop the technology companies into hidden champions at the international level. They are active in small niches, but big in that niche. In lighting control for luxury cruise liners, for example, Helvar is by far the global market leader.”

Helvar has transformed itself to become an international lighting technology company specialising in energy-efficient components and solutions for commercial and architectural applications. As they are based on open systems technology, they can be integrated with other building services – allowing Helvar solutions to be scalable to almost any size of installation or application. Today, Helvar’s sales offices and global partner network take care of customers in more than 40 countries around the world.

Creating Impacts

Helvar is bringing the promise of environmentally friendly, human-centric and intelligent lighting to life in a wide range of sectors and businesses across the globe.

In the field of **education**, Helvar is building brighter futures. Finland’s **Tervaväylä School** is a case in point. The state-funded special learning centre offers rehabilitation and housing services for approximately 100 children and adolescents with physical disabilities or neurological conditions. Many of them are visually impaired and need lighting with minimal glare; approximately 85% of the students use an electric wheelchair.

The school building was designed as a modern, healthy and safe working environment for both students and teachers. The design principles support sustainable development and takes the building’s whole lifecycle into account. The starting point was that a student using a wheelchair should be able to move freely in a well-lit building. Corridor and room lights illuminate automatically. This means the lighting supports the students’ independence and development. In classrooms, the lighting adjusts automatically according to the amount of natural light. Teachers can adjust the lighting at the press of a button to

be suitable for playing videos, for instance, or for independent work.

By communicating early and clearly with a building’s designer, forming an intimate understanding of user needs and considering the psychological significance of natural light, Helvar has succeeded in helping the Tervaväylä School and other educational institutions across the globe bring learning and lighting to a higher plane.

Culture, too, deserves a spotlight – one that Helvar is well equipped to provide. The **National Portrait Gallery** is one of London’s most popular visitor attractions, and home to the world’s largest collection of portraits from the middle ages to the present day. Over the past six years the Gallery has been making the transition from tungsten halogen lamps to LED lighting, and Helvar has been installing a new, more modern, solution.

Controller modules are being fully integrated into a bespoke building management system (BMS). For the top lit gallery areas, the custom BMS is able to carefully monitor the brightness of natural light coming through the windows whilst tracking the sun’s position and measuring the sky’s brilliance, enabling the blinds to open and close whilst also dimming the lights up and down, adjusting to the amount of natural daylight filling the areas.

The work will continue throughout the Gallery to create a modern and comfortable place to work and visit. When completed, the project will deliver approximately 60% of energy savings, and preserve a unique cultural artefact by showcasing some of the world’s most precious and popular portraits in a whole new light.

To glimpse the future of **healthcare**, we can look to the **Seinajoki Central Hospital** in Finland. A large-scale renovation project for the hospital was begun in 2007 and is being implemented in phases to reduce disruption to patients – to date 20 departments have been renovated. When completed in 2025, the project will be the largest installation of human-centric lighting and energy efficiency in Finland.

Helvar has played a key role in achieving a functional yet calming environment to help patients feel relaxed and comfortable. The main challenge was to ensure that all applied technology would serve the needs of people – taking into account reflective surfaces and dim spaces – and create a comfortable environment for recovering patients while meeting the independent needs of personnel across the hospital. All offices and



Clockwise from top left: Finland's Tervaväylä School, the National Portrait Gallery in London, and the Seinajoki Central Hospital in Finland

corridors have constant light control, motion detector and automatic dimming. The automation of the lighting ensures energy efficiency and an overall reduction of cost for lighting.

In an arena where health and well-being are so intrinsically intertwined with the design and deployment of light, Helvar is demonstrating that it is indeed possible to do good and do well.

Identifying Next Steps

Without light, there would be no sight. With better, human-centric lighting, comes a growing appreciation of the benefits of how light can enhance life, and a recognition of the sustainability of such solutions for a planet that sorely needs them. Hence next steps for Helvar are to increase the level of intelligence in lighting environments, both for the benefit of the human beings who toil under artificial lighting, and in pursuit of energy efficiency. The company sees massive potential to pursue both these goals which will provide meaningful benefits to society and tangible business results.

“We would like to see ourselves as trustworthy long-term owners of good reputation, with a tradition of reinventing our companies to meet the requirements of today’s markets and the markets of tomorrow.”

- Philip Aminoff, *Chairman*

Philip underscores the principles that have made the Cousin Companies resilient across generations: *“We have to deliver something that customers cannot easily get as reliably from anywhere else. We need to ask them what they need to be successful: and this then becomes what drives business development. If you make sure that you know your customers, you will be able to evolve with them.”*

Developed with Philip Aminoff, Helvar

MARTIN PREFERRED FOODS

WEATHERING THE STORM

Nature of Business: Manufacturing and Distribution

Industry Sector: Food

Family Business History: 3rd Generation

Provenance: United States of America

Setting the Stage

Founded in 1944 and now on its 3rd generation of family leadership, Martin Preferred Foods (MPF) is a premier provider of quality meats and specialty foods. Headquartered in Houston, Texas, the company develops, processes and distributes an extensive range of ready-to-cook meats, seafood, cheeses and specialty foods to retail and food service organizations in Texas and around the country. Additionally, MPF offers an array of Tex-Mex products through their Reserva Brand.

Over the last 4 years, the company has expanded and evolved from a regional distributor to a nationally recognized meat processor with double-digit growth in sales. 2017 annual sales were \$180M. MPF employs over 375 professionals united in their passion and enthusiasm for food! Nearly a quarter of them have been part of the 'Martin family' for 10 or more years.

The family business started when two brothers hatched the idea of selling fresh poultry from the yard behind their mother's grocery store. They named the business "Martin" after their baby brother and began making deliveries on their bicycles to chefs in downtown Houston. There are currently three generations and six family members working in the business. With core values centered on safety, family, service, integrity and accountability, the family is committed to using their business as a force for good!

Holding the Mirror

The 2017 hurricane season in the USA was extremely active and hurricane Harvey was the first major storm of the season. Prior to landfall, the storm went through cycles of generating strength and weakening. Hurricane warnings and watches were issued, recalled and re-issued, making it a confusing and chaotic situation.

Being located on the Texas Gulf Coast, Martin Preferred Foods is no stranger to hurricane warnings; but with the uncertainty surrounding this particular storm, it was difficult to make decisions. However, advanced planning allowed MPF to respond quickly when it became apparent



Israel Tapick, Martin Tapick, Zelda "Bubbe" Tapick, Jake "Zadeh" Tapick, and Melvin H. Tapick, circa 1944

that Harvey was headed their way. They had a Disaster Planning committee in place, a Hurricane Plan already developed, generators installed or on standby, insurance policies in place and an 800 number for communication.

On Wednesday, August 23rd, with the storm still several days from making landfall, MPF held its first crisis planning meeting. On August 24th MPF contacted all their customers and suppliers and began producing extra product in the plants. On August 25th, they shipped extra product to Dallas and sent the VP of Sales to coordinate the remote facility.

Harvey made landfall near Corpus Christi, Texas on the evening of Friday, August 25th as a category 4 storm with winds at 130+ miles per hour. Heavy rains fell in Houston that night, but on Saturday morning the rain stopped. Weather forecasters indicated that winds would be pushing the storm south, and that for the Houston area, the storm may be over. MPF had a conference call at noon and someone said, *“It looks like we dodged it!”* But at sunset on Saturday, rain started falling again, and this time it did not stop. The forecasters were wrong, the storm had turned north toward Houston. Flooding began, and overnight tornados popped up. The storm stalled and hovered over Houston for days, dumping a massive amount of rain. Water had to be released from several dams to prevent their collapse. There was widespread flooding and rooftop evacuations began. This resulted in several days of torrential downpour and record-breaking rain and severe flooding.

This was one of the wettest storms on record in the USA, with rainfall of 50+ inches. Despite attempts to manage the water in them, widespread flooding broke several



Martin's 5-Acre Headquarters in Houston, Texas



A smorgasbord of products from Martin Preferred Foods

local dams. 300,000 structures and 500,000 vehicles were damaged or destroyed in Texas alone. Additionally, 336,000 people were left without electricity and tens of thousands of people needed to be rescued. The estimated total damage was \$125 billion, making Harvey one of the costliest natural disasters in United States history.

Connecting the Dots

As the storm began to build in intensity and it became clear that it was going to hit Houston, the team at Martin Preferred Foods moved quickly to activate their Hurricane Plan. It was time to start implementing their established protocols and secure all of their facilities as best they could.

One lesson we applied during the storm, and which served us well, was that it is critical to create priorities and communicate early. We prioritized safety and communicated that message as clearly and as often as we could. As a result, we believe we helped eliminate any confusion or ambiguity as to what was expected of our team members, and that helped them stay safe and out of harm's way as the storm hit.

- Jeffrey Tapick, CEO of MPF

One of the first major decisions of the committee had been whether to spend \$5,000 on a generator. This decision needed to be made several days before the



Massive flooding caused by hurricane Harvey in Houston, Texas

storm made landfall. The generator was expensive and it wasn't definite that the storm would hit. On the other hand, it would likely be critical in keeping their operations going if the storm proved to be as bad as predicted and, at the end of the day, it's part of the cost of doing business on the Gulf Coast. They rented the generator, which proved to be a great asset in the immediate aftermath of the storm.

The second major decision was whether to close the business due to the storm. This decision needed to be made on Sunday, August 27th. Rain had been falling for 18 hours straight, after everyone was up all night from tornado warnings. Although most of MPF CEO Jeff Tapick's family members and his key employees were unharmed by the storm, his 89-year-old grandmother, "Nana," the first generation matriarch of the business, had flooding in her home and had to be rescued by Jeff's brother-in-law Amir that morning. Helicopter evacuations and airboat rescues were happening all over town. But the business wasn't flooded, and some people could get to work. So the question was, should the management team close the business the next day? The family had taken great

pride in the fact that the business had never before been closed due to weather in its 74-year history. However, *"Safety is our number one value,"* notes Jeff. *"When in doubt, follow your values. So, we closed the business for the first time in our 74-year history."*

Creating Impacts

On Monday, August 28th, the rain was still falling, the flooding was getting worse, and all food stores and suppliers were closed. Customers were running low on food, evacuees were crowding into shelters, and many were starting to ask for help in the form of food. Even the Houston Police Department was low on food, as their primary building had been flooded during the storm. MPF was centrally located, had plenty of food, refrigerator trucks, and could make deliveries. Although the business had been closed that morning, in response to the community's call for help, Jeff decided to open the doors at 3pm with a skeleton crew to help the community. At 5pm that afternoon, with the rain still falling and flooding still widespread, Jeff and a small crew from MPF donated 500 lbs. of fajitas to the local police union hall down the street from MPF

headquarters, helping to feed the brave first responders who had been working so hard to help the community.

Over the next two weeks, MPF continued to make food deliveries to area shelters, churches and kitchens. In total, MPF donated 50,000 pounds of chicken and meat, and 2,000 cases of groceries. Celebrity Chef Jose Andres arrived in Houston as part of the relief efforts and reached out to MPF saying he needed a refrigerated truck, so MPF loaned him one. *“Hurricane Harvey brought our community together. It was amazing to be a part of the effort to help each other,”* said Jeff.

Many employees of MPF were significantly impacted. Of the 325 employees who live in Houston, 52 suffered flooded homes, while 19 employees had flooded vehicles. Five employees had to be evacuated from their homes. In all, over 20% of MPF’s Houston workforce were seriously impacted by the storm. Jeff reached out to his network to source ideas on how to help his employees. MFP offered paid time off, no-interest loans for employees, grief counseling, cleaning supplies, and assistance with submitting FEMA claims. In addition, in the weeks following the storm, Jeff and his family created a 501(c)(3) foundation, the Tapick Family Foundation, that was empowered to issue grants of relief to MPF employees who were hardest hit by the storm. To add funds to the Foundation, MPF created a “You Caring” donation page and raised over \$12,000, which the Tapick family matched. MPF put their employees and community before business continuity.

“We could never have foreseen how long the storm would last, or how long the city would be flooded. However, we had established clear priorities of safety and caring for others, and we used those priorities to help guide our decisions as each stage of this disaster unfolded.”

- Jeffrey Tapick, CEO of MPF

Identifying Next Steps

The company has continued to learn from its experience with Harvey as it looks to find ways to be even better prepared for the next storm. For example, the company has been testing a text message SMS emergency system which will enable the company

to send text alerts to employees’ cell phones during any future emergency. In addition, the Tapick Family Foundation will be available to assist MPF employees in any future crisis or emergency.

Here are the key takeaways Jeff learned from leading through a crisis.

- Follow your values.
- Communicate frequently and clearly.
- Act/respond promptly and decisively.
- Demonstrate empathy, patience and understanding.
- Perception is important (to your employees, your customers, your community)

“If there was a silver lining to this storm, it’s that the people of the City of Houston, as well as so many from outside our community, banded together in an incredible display of civic unity to overcome the adversity and challenges presented by this disaster. For our company, we formed new bonds of partnership and friendship with so many members of our community during the relief effort, and we truly believe these bonds will far outlast any ill effects of this disaster.” - Jeffrey Tapick

The Martin Preferred Foods team created a logo in the aftermath of the storm to symbolize its hurricane relief efforts. The logo reads “We are stronger together.” Dealing with a natural disaster like Hurricane Harvey tested the resilience of the family, the company, and the leadership team. But working together, they found strength, and they used the disaster as an opportunity to step up for their employees and their community in a time of need.

Developed with Jennifer Muntz, FBN North America and Jeffrey Tapick, Martin Preferred Foods



SPADEL

SUSTAINABILITY DEMANDS COURAGE AND CONVICTION

Nature of Business: Natural water-based drinks

Industry Sector: Non-alcoholic beverages

Family Business History: 3rd Generation

Provenance: Belgium

Setting the Stage

Spadel is a European group that produces and markets three ranges of natural water-based drinks: natural mineral waters and spring waters, flavoured natural waters, and still & sparkling lemonades with 100% natural ingredients. It operates in a competitive environment dominated by a small number of global players: Danone (Evian & Volvic), Coca-Cola (Chaudfontaine), Nestlé (Vittel & Perrier) and Vrumona (Sourcy). In addition, it faces competition from distribution brands, private labels, several low-cost waters and a host of soft drinks. Despite being a relatively small player, Spadel's six upper segment brands are well-known in their respective regional markets: Spa & Bru (Belgium, the Netherlands, Luxembourg), Carola & Wattwiller (Alsace area, France), Brecon Carreg (United Kingdom), and Devin (Bulgaria).

Spadel's history is closely tied to the du Bois family. Ernest du Bois, grandfather of the current CEO Marc du Bois, began business in the capital of the Compagnie Fermière des Eaux et des Bains de Spa, better known as Spa Monopole, in 1923. But the roots of the company can be traced back more than four centuries, as the water in the Spa region (Belgium) has long been recognised for its therapeutic use. Little wonder that Spadel has become thoroughly embedded within the society. Over the years, the company's CEOs have held up a tradition of community involvement, environmental protection and social innovation. *For Spadel, being a family company implies upholding the values of both the business family as well as society, with a long-term perspective of the future.*

In the mid-1920s the company went public and is now listed on Euronext Brussels. Currently, Marc du Bois holds around 93% of the company's shares. In 2017, Spadel achieved revenues of €289 million with a net profit of €26.4 million. The company, which has its headquarters in Brussels, employs 1,351 people.

Holding the Mirror

Competition in the market is not confined to product pricing, volumes sold or developing distinguishable quality brands that align with consumers' needs and wants. In addition to these economic dimensions, there are non-economic factors that are increasingly shaping the landscape.

For instance, the characteristics and ingredients of the bottled water products have an impact on the natural environment. Drinking water corresponds with a healthy lifestyle, offering zero or low-carb alternatives to regular soft drinks that can contain large amounts of sugar. When producing fruit flavoured waters, leading companies including Spadel take out synthetic ingredients (such as aspartame and non-natural aromas used to flavour water) replacing them with natural alternatives (stevia and natural flavourings).

Driven by both internal and external motivations, the company embarked on developing and implementing a sustainability strategy around the year 2010, with the long-term ambition of eliminating all negative impacts from its activities by 2039, the year when the company's concessions for sourcing water from the Spa region would need to be renewed. Clear mid-term goals (2015 – 2020) were formulated to guide this development.

Implementing sustainability in corporate practice often entails weighing all kinds of pros and cons across business domains, taking into account a variety of interests in decision-making processes, and being confronted with trade-offs from the choices that have been made. Spadel has not been an exception to this rule.

Connecting the Dots

Spadel’s commitment to make its entire product range ‘natural’ by 2020 has triggered several inevitable consequences that have hindered and compromised sustainability performance in other domains. For example, *natural ingredients lead to higher carbon emissions*: shifting from sugar additives such as aspartame towards extracts from sugar cane or sugar beets *increases the carbon footprint dramatically*. Also, natural ingredients are not the unequivocal answer to certain health issues even though this may seem the case.

A complicating factor has been the interpretation of ‘natural’, a concept that may be intuitively appealing, but also a claim that is difficult to assess by stakeholders. Claiming to be ‘natural’ can well lead to confusion among consumers, and possibly even to accusations of greenwashing.

This is why Spadel entered into dialogue with various stakeholders in an attempt to clarify the concept. Two important aspects emerged from this which characterise the term ‘natural’:

1. The **origin**: The ingredient must be naturally present in nature. The basis for the ingredient is derived from biological processes and is not man-made.

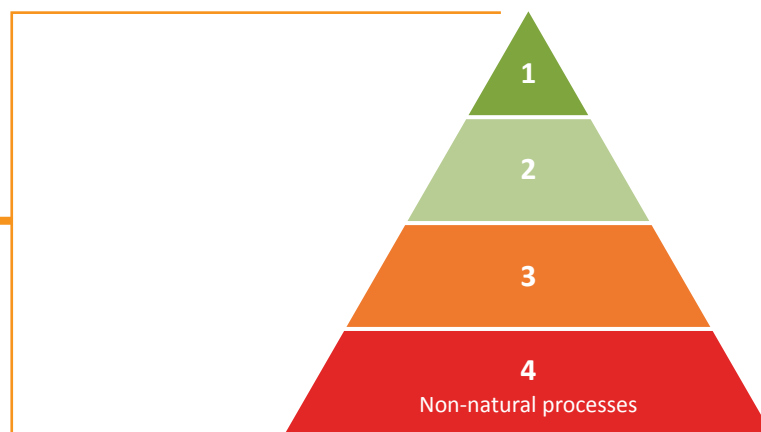
2. The **processing** operation: The process used to obtain the ingredient (e.g. separation techniques) is such that it preserves the original chemical composition of the ingredient.

Together, these two elements form the ‘naturalness’ framework.

The naturalness of the processing operation itself requires further clarification, for which a matrix has been developed. Owing to the lack of a clear legal framework in relation to naturalness, Spadel took the initiative in 2015 to develop a clear vision of the naturalness of the processes – considering, amongst other factors, the perception of ‘natural’ by the stakeholder, the ISO TC/34 directive, and the European legislation on additives and flavourings. The Naturality matrix is the result of these efforts.

The matrix distinguishes between four levels or degrees of naturalness. The lowest level (4) groups together those processes that are regarded as not being natural. Spadel does not use any ingredients that undergo such a process. The processes in the higher levels are distinguished according to their complexity. For instance, Level 1 comprises the simplest methods such as pressing and peeling. Whereas Level 3 comprises somewhat more complex processes such as the use of electricity to achieve separation. All of these separation processes are acceptable; nevertheless Spadel is striving for the simplest processes.

Natural processes according to the Spadel naturality framework



Naturality Matrix

	Separation	Processing
1	Physical processes Example: Microfiltration	Physical processes Example: Cutting
2	Preferred physico-chemical processes Example: Water distillation	Micro-biological processes (non-GMO) Example: Fermentation
3	Standard physico-chemical processes Example: Ion exchange	Enzymatic processes (non-GMO) Example: Oxidase



“At Spadel, sustainability is in our DNA. Already in 1889, long before the term ‘sustainable development’ was coined, the first mineral water protection zone in Europe was created in Spa. Since then Spadel has continued to expand its sustainability efforts and has developed a tradition of community involvement, environmental protection and social innovation. Therefore, for us at Spadel, as a family business, sustainable development is not a buzzword. It is unquestionably anchored in our mission and strategy, and we aim to be a leader in what we do.”

- Marc du Bois, CEO of Spadel

Creating Impacts

Recent successful product innovations, such as the Spa Fruit and Spa Duo lemonades, have been inspired by Spadel’s sustainability commitment of ‘100% natural & low caloric drinks’. As of 2016, all flavoured waters and soft drinks are of 100% natural origin. Following the initial success of Spa Citroen, Spa Mint, Carola Citron and Carola Grapefruit/Blood Orange, the range was expanded further. In addition, new sparkling natural soft drinks were brought onto the market at the beginning of 2016. They are a combination of the Spa natural mineral water and pure fruit with 100% natural ingredients. These are refreshing soft drinks, low in calories, without artificial sweeteners, colouring agents or preservatives.

Spadel has achieved progress in nearly all areas of sustainability performance and has been lauded for this by external organizations:

- In 2013, Spadel was named National Belgian Champion of ‘Sustainability’ in the European Business Awards. It also took the ‘Ruban d’Honneur’ in the Environmental & Corporate Sustainability category. That year, Spadel ranked among Europe’s top 10 companies in the Sustainable Development category.
- In 2014, Spadel obtained the ‘Gold’ label in the EcoVadis classification, a platform that provides sustainability ratings for global supply chains, placing it among the top 2% of companies assessed through this scheme.
- Spadel was also accorded a finalist placing at the Awards for Best Belgian Sustainability Reports by

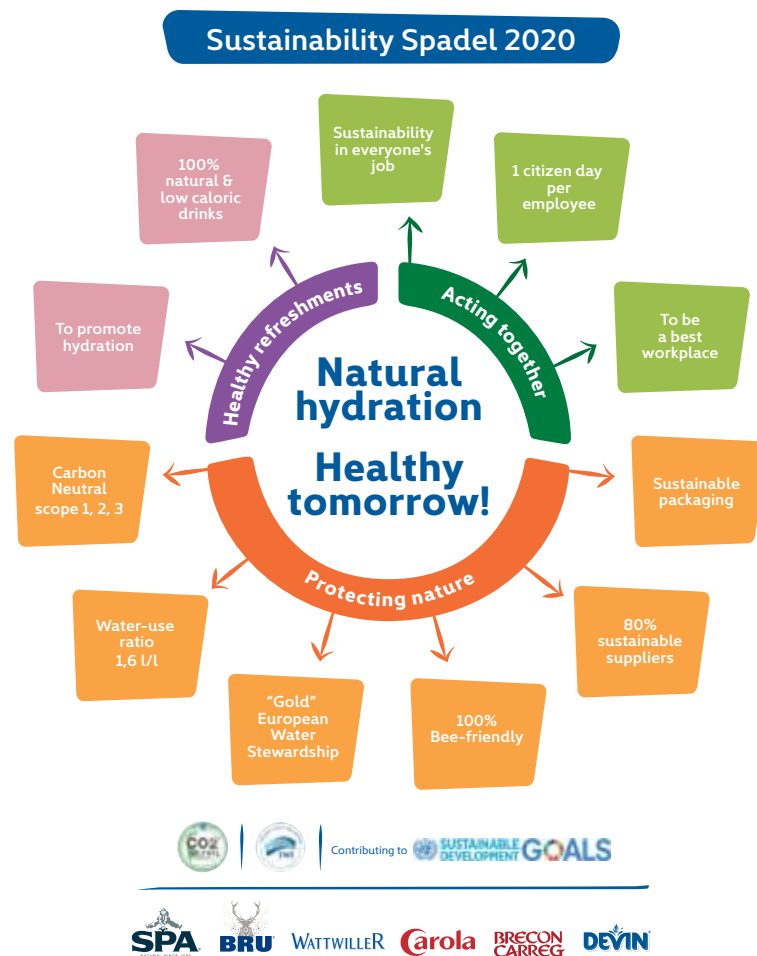
IBR-IRE, the Belgian Institute of Registered Auditors, for its 2013-2014 sustainability report.

- In 2015, its project BeeSpa, which aimed to measure the quality of the environment and biodiversity by placing bee hives in protected water areas, was awarded the Belgian Media Award in Energy and Environment.
- In 2016, CSR Manager Ann Vandenhende won the CSR Professional of the Year Award in Belgium.

Identifying Next Steps

While it is recognised within Spadel that sustainability holds reputational value, turning sustainability into tangible consumer value through products remains a challenge. Moreover, different segments do not react in the same way to sustainability. In the ‘Out of Home’ segment (anything sold outside retail such as hotel business, airlines and restaurant chains) 10-20% of volume sold is directly linked to sustainability. One particular example is IKEA, where Spadel was ultimately chosen over a competitor thanks to its sustainability efforts.

The ‘retail’ segment is proving to be more of a challenge, where Spadel faces a ‘glass wall’ between the Sustainability department and the Buyers department. Good relations with the Sustainability department do not result in increasing volumes sold, as sustainability is rarely taken into account in final buyers’ decisions. Carrefour is the only company that asks suppliers to fill in an ‘auto-diagnostic’ tool, in order to assist suppliers in their sustainability approach. However, the results are not taken into account in the buyer’s decision.



Spadel's sustainability strategy map

In 2015-2016, Spadel's sustainability strategy was reviewed by external experts. The review report suggested Spadel make several adjustments to the strategy and its implementation in order to align the company with the sustainability challenges of its sector, and to maintain the company's sustainability commitment for the years to come. The review also showed that CO₂ had been very dominant in the conversation about sustainability within Spadel from the outset. This resulted in important achievements but it also overshadowed *other* sustainability issues such as litter reduction, sustainable packaging and employee engagement on sustainability. A clearer vision and updated strategy including targets are being developed. 'Naturalness' remains an important pillar in the updated strategy. As such, Spadel:

- intends to **further refine its Naturalness matrix** by conducting regular monitoring of naturalness via dialogue with stakeholders and checking new legislation;
- continues to **develop its processes** in order to ensure that all ingredients feature in the top green zones of the Naturalness matrix;

- is also working further **on lowering the calorie content** of the soft drinks.

Spadel has been able to show progress in its sustainability commitment in many respects, and sustainability is on its way to become a mature perspective for the company. However, challenges remain, including fine-tuning the governance structure for sustainability, finding company-wide support for it, communicating internally & externally, and creating consumer value from sustainability.

Implementing sustainability in a business context – especially in the bottled water industry – is a moving target. If one wants to guarantee the long-term success of the company and its relations with society, one should realize that these relations have something important in common with water: they are both fluid.

“If we protect the water, the water protects us.”

Developed with Ann Vandenhende and Koen Vanbrabant, Spadel

REDEFINING BUSINESS

INNOVATIONS THAT ARE SHAPING THE FUTURE WE WANT

This last section explores dynamic innovations that corporations, social enterprises and civil society groups are conceiving and commercialising to take sustainability aspiration into practice around the world.



Blood from the Skies: Drones Saving Lives in Rwanda

An ingenious drone delivery service has slashed the delivery time of life-saving medicine to remote regions of Rwanda from four hours to an average of 30 minutes. The partnership of **Zipline** (a Silicon Valley robotics company) and the country's health ministry has delivered more than 5,500 units of blood to 12 regional hospitals over the past year. The use of drones is helping to reduce maternal deaths. Drone delivery also means hospitals can store less blood – which means less waste as blood spoils quickly.

The idea for the drones came when Keller Rinaudo, Zipline's CEO, visited Africa in 2014 and came across a mobile alert system for health workers to text emergency requests for medicines and vaccines. There was just one problem: There was no way for the government to fulfil those requests. It became clear that this was a database of death filled with thousands of patients' personal information. From this realization emerged a steely purpose that has propelled and shaped the Zipline offering: Drones capable of delivering critically needed blood supplies to hospitals at up to 60mph. When it is within a minute of the destination, the doctor receives a text message. The drone drops the package, attached to a parachute, into a demarcated zone before returning to base. What a way to save a life!

Source: <https://bit.ly/2qb00ll>



Enjoy Your Meal, Then Eat Your Cutlery

Plastic cutlery may be disposable, but it's not recyclable – so huge amounts of waste are created annually. It has been estimated that 140 billion pieces of plastic cutlery are used each year in India alone! This sad fact so upset Narayana Peesapaty, that the chemist and researcher determined to do something about it. In 2016, he founded **Bakey's Foods** in his hometown of Hyderabad, India, to bring to market products that contribute to the Triple Bottom Line. His most impactful achievement to date has been a line of edible cutlery that comes in three versions: plain, sweet, and savoury. They're 100% natural, 100% vegan, and 100% biodegradable (if you choose not to eat them).

The cutlery (mainly spoons at this point in time) is made with dough containing a mixture of sorghum, rice and wheat flours, kneaded with hot water. No preservatives, additives or colouring agents are added. The utensils are baked to make them crisp, hard and moisture-free. Since they are made with flour, Bakey's can add tastes and flavours. The sweet range can be infused with vanilla, strawberry or other flavours. The savoury range can come tasting of salt and pepper, or Indian spices. Now you can truly polish off your meal!

Source: www.bakeys.com



Converting Fog into Drinking Water

Now here's an innovation that's conjured something out of thick air. **Aqualonis** is a Munich-based company that develops, plans, builds and maintains fog water collection systems. Its claim to fame is the CloudFisher: the world's first maintenance-free fog collector that can withstand wind speeds of up to 120kph, while still retaining water. It's made from a 3D mesh that can be configured in a variety of sizes to suit individual needs or the requirements of entire villages.

The 3D design of the mesh allows for higher water yield. Robust plastics grids prevent the mesh from bulging and draining water outside the trough. Rubber expanders reduce the impact of wind forces; while flexible troughs follow the movement of the net into the wind. All materials used in their construction are UV-resistant and food-safe. The CloudFisher can allow people living in coastal or mountainous areas to convert fog into safe drinking water. The water can also be used to irrigate crops or support forestry efforts. In dry mountainous and coastal regions with high fog concentration, CloudFisher nets can provide thousands of people with a safe and secure supply of precious drinking water.

Source: <https://www.aqualonis.com>



Bright Reds and Cool Blues Turning Cities Green

Paints have been used for centuries to beautify spaces, lift spirits and keep cities cool in hot weather. Dutch multinational **AkzoNobel** is proving that paints can help build greener cities, too. Its "Let's Colour" social impact programme is renowned across the globe for adding colour to people's lives: It turned Rio de Janeiro's favelas and other countries' urban slums into totems of inspiration, gathering the company's local workforces to partner with local residents to literally paint a new breath of life into their communities.

Together with building developers, AkzoNobel is again developing innovative programmes with innovative products. Its new paints have enhanced heat-reflecting capabilities to lower surface temperatures, reducing the need for air-conditioning and – by extension – carbon emissions, while generating energy savings for tenants and facility managers alike. Product innovation has also led to more durable and resource-efficient paints: stretching the repainting cycle from an average of five years to seven or more years, and requiring only two coats of paint instead of three for any paint job. Local governments often pose a bureaucratic hurdle to overcome; but with increasing adoption substantiated by robust research data, more and more projects will feature these sustainable coatings.

Source: <https://bit.ly/2xnJC3S>



Electrifying UFOs Becoming a Welcome Sight

A group of French designers have potentially found a way to supply green electricity to the most remote and disadvantaged populations of the globe with no more than a big white balloon. **Zephyr Solar's** photovoltaic balloons are easily deployable, self-contained and maintenance-free. They provide access to clean and sustainable energy, combined with additional functionalities carried by the balloon, such as a camera for aerial observation, or a network antenna.

The Zephyr balloons are fitted with lightweight solar panels weighing just 2kg per square metre; the produced electricity is then transferred to the ground via a cable. The balloons come in a range of sizes capable of generating 200W to 10kW of power. An average-sized balloon can cover the needs of about 50 people and replace the harming diesel generators used by the poorest populations of the world which are noisy, polluting, and require a constant fuel supply. The first prototype balloons took off in April 2017; and Zephyr has already won many prizes and subsidies for its technological innovation as well as its social and environmental commitment.

Sources: <https://bit.ly/2xKmgGn>
<http://zephyr.solar/EN/>

STEP UP – REDUCE YOUR FOOTPRINT AND IMPROVE YOUR IMPACT

Play the *polaris* game



Discover where you stand in **The Theory of REvolution**. Challenge each other to see who evolves into a rainforest tree the fastest! Along the way, learn to reduce your footprint and get ideas to improve your positive impact. Let's do our bit to keep our **Home** in good shape, not just for ourselves, but for generations to come.

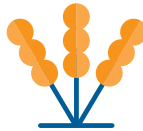
Go play at www.fbnpolaris.com



The Theory of REvolution



Rainforests are vital for our planet's future & provide habitat for countless species of animals & plants.



Algae absorb CO₂ & act as a carbon sink. They produce oxygen during photosynthesis.



Fungi play fundamental roles in nutrient cycling & exchange in the environment.



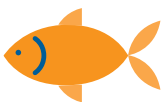
Ferns are asexual & used for medicine, remediating contaminated soil, & removing chemical pollutants from the atmosphere.



Insects are widely seen as pests but they actually perform complex ecological roles as pollinators, & are essential to the life cycle of many plants.



Amphibians are incredibly vulnerable to the effects of climate change as their skin is a secondary respiratory surface. They are good ecological indicators.



Fish are an important resource for humans worldwide. Since many live in the oceans which serve as the world's biggest carbon sinks, they are susceptible to the effects of climate change.



Farmed poultry today makes up 70% of all **birds** on the planet, with just 30% being wild. Overuse of antibiotics in commercial farming is creating antibiotic-resistant viruses.



60% of all **mammals** on Earth are livestock, mostly cattle and pigs, contributing significantly to greenhouse gases & other forms of pollution.



The world's 7.6 billion **people** represent just 0.01% of all living things. Yet since the dawn of civilisation, humanity has caused the loss of 83% of all wild mammals & half of all plants.

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Comprising FBN members, executives and impact professionals, the Polaris Committee spans cultures, geographies, industries and generations:

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About The Family Business Network

The Family Business Network is the world's leading family business organisation. *'By family businesses'* and *'for family businesses'*, FBN is a safe, shared-learning space for enterprising families to flourish across generations, through the exchange of excellent, innovative and impactful practices.

Founded in 1989, it is headquartered in Lausanne, Switzerland. A vibrant community, it brings together over 3,600 business-owning families – 16,000 individual members including 6,400 Next-Generation members – in 33 Chapters covering 65 countries. FBN organises annually 750 activities in its Chapters, internationally, regionally and locally.

Polaris is the framework enabling members to deliver on the FBN Pledge, a platform for learning, innovation and co-creation, and a global movement of family businesses championing business as a force for good.