September 2020

CREDIT SUISSE

Research Institute

The Family 1000: Post the pandemic

Thought leadership from Credit Suisse and the world's foremost experts

Editorial

As a financial institution, Credit Suisse has long established itself as the bank of the entrepreneur, in turn supporting the innovation and wealth creation such activity typically brings. In its series of studies, and by establishing the unique Credit Suisse Family 1000 dataset, the Research Institute has explored the business models of family-owned companies and how they differ from those companies where the founding family is no longer at the heart of decision-making.

Our research to date has shown family-owned businesses as pursuing a longer time horizon in their investment strategy, delivering more stable and superior through-cycle profitability, and ultimately driving significant excess returns for all shareholders, minorities included. Asia Pacific has seen the most pronounced effect, with compound excess returns of close to 5% a year since 2006.

In this edition, the study also examines family-owned businesses through the lens of the COVID-19 crisis. Despite the challenges posed by COVID-19, we find their business models proving relatively resilient and the "family alpha factor" of stock-price outperformance continuing. Our Family 1000 universe notably outperformed non-family-owned businesses by 300 basis points in the first half of 2020.

Alongside such quantitative analysis, we have also probed the decision-making and relative priorities of family businesses amid the crisis in a more qualitative sense. To do so, we have conducted a proprietary survey of nearly 150 family-owned companies, examining the impact of the pandemic on their businesses.

Eighty percent of respondents highlighted the negative impact of COVID-19, and few expect the adverse effects to dissipate swiftly. However, their more conservative financial model built on lower leverage and strong cash flow generation has proved an asset. They have notably relied less on government employment support to furlough their workforce, implicitly reflecting their own social responsibilities.

That said, family and non-family businesses alike agree that there will be no return to "business as usual," particularly where employment is concerned. A model based on flexibility for both employer and employee, but with lower employment levels overall, seems the likely legacy driven by a more rapid deployment of technology.

Finally, the study looks at family businesses through an environmental, social and governance (ESG) lens. This has become a key area of investor focus and we find family businesses increasingly attuned to ESG, with their credentials measured by rating companies improving both in absolute and also relative terms compared to non-family companies. As positive as these observations appear, the governance structures of family businesses do lag the wider corporate community. Diversity in leadership is notably less favorable, and these issues will only come under greater scrutiny as ESG continues to rise in investors' agendas.

We hope you find the insights from our latest study valuable and wish you stimulating reading.

Urs Rohner
Chairman of the Board of Directors
Credit Suisse Group AG

Cover photo: GettyImages, Westend61

Author
Eugène Klerk
Global Head of ESG Securities Research
Credit Suisse International
eugene.klerk@credit-suisse.com

For more information, contact:

Richard Kersley
Head of Global Research Product, Credit Suisse Securities Research
richard.kersley@credit-suisse.com

Nannette Hechler-Fayd'herbe
CIO International Wealth Management and Global Head of Economics & Research, Credit Suisse
nannette.hechler-fayd'herbe@credit-suisse.com

Credit Suisse Research Institute
research.institute@credit-suisse.com
credit-suisse.com/researchinstitute

Executive summary

For our latest analysis on family-owned companies, we returned to our proprietary "Family 1000" database of more than 1000 publicly listed family or founder-owned companies. Data up to the end of June this year suggests that the "family alpha factor" is very much intact. Since 2006, our overall universe has outperformed non-family-owned companies by an annual average of 370 basis points. Performance has been strongest for family-owned companies in Europe and Asia at 470 basis points and more than 500 basis points per annum, respectively. In North America, on the other hand, family-owned companies showed a more moderate outperformance of around 260 basis points per annum. The COVID pandemic has had a significant impact on equity market returns and volatility this year. In previous work, we highlighted that family-owned companies tend to have above-average defensive characteristics that allow them to perform well, particularly during periods of market stress. Return data for the first six months of this year supports that view, given an overall year-to-date outperformance of around 300 basis points relative to non-family-owned companies.

The family alpha factor: Key drivers
In our view, the question why family-owned companies outperform broader equity markets can be answered by a review of their relative financial returns. Our analysis suggests that, since 2006, revenue growth generated by family-owned companies has been more than 200 basis points higher than that of non-family-owned companies. We observe this for both smaller and larger companies. At the same time, our analysis also suggests that family-owned companies tend to be more profitable. For example, average cash flow returns (using the Credit Suisse HOLT® metric of Cash Flow Return On Investment or CFROI®) are around 200 basis points higher than those generated by non-family-owned companies. These superior returns are observed across all regions globally.

When talking to investors about family-owned companies, we often hear that they outperform because of a perceived longer-term investment focus compared to non-family-owned companies. Our analysis suggests that this is indeed the case. For example, family-owned companies have lower gearing ratios than non-family-owned companies, implying that they fund their operations more through internal funds rather than debt. We also observe that family-owned companies tend to focus more on research & development, which is arguably a long-term indicator.

Family-owned companies and ESG
ESG or a company's environmental, social and governance performance is becoming an increasingly important part of the investment process. In the CSRI publication "The CS Gender 3000 in 2019," we highlighted that family-owned companies with female leaders tended to have a stronger focus on ESG than those that do not. In this report, we review the ESG characteristics of family-owned companies using data from one of the ESG rating companies as well as results from our proprietary survey of 260 companies.

We fully recognize that the ESG scores provided by the leading ESG rating companies are not without shortcomings. Data quality and availability is a key issue as is the uncertainty regarding which ESG metrics are material and how these should be weighted. Nevertheless, using Refinitiv's ESG scores, we find that family-owned companies on average tend to have slightly better results than non-family-owned companies. What is interesting in our view is that relative performance appears to have been a more recent phenomenon and has been strengthening over the past four years. This overall better performance is mostly led by better environmental and social scores as family-owned companies appear to lag their non-family-owned peers in terms of governance.

From a regional perspective, we note that European family-owned companies have the highest ESG scores. This is not too dissimilar to what our ESG analysis of European companies more broadly tends to show and might partly be the result of

better ESG data availability. Interesting, however, is the fact that family-owned companies in Asia ex-Japan score better than those located in the USA and their scores are rapidly converging with those generated by European family-owned companies. In fact, Asian family-owned companies already score better in terms of governance than their peers in Europe or the USA.

One other interesting aspect from our analysis is that older family-owned companies have better ESG scores than younger firms and that this performance is seen across all three environmental, social and governance areas. Perhaps the fact that older family-owned companies have more established business processes in place allows them to incorporate or focus on areas of their business that are not directly related to their production processes, but that are relevant in terms of maintaining overall business sustainability.

Family-owned companies and COVID-19

In our survey of 145 family-owned companies and 124 non-family-owned companies, we reviewed the impact of the COVID-19 pandemic on both current and future operations. The severity of the pandemic for these companies is obvious as around 80% of the family-owned companies surveyed indicated that their business had been negatively impacted by the pandemic, while the pandemic ranks as the second-biggest challenge in the next five years after the need to innovate and retain staff. Non-family-owned companies, however, have a more bearish view than family-owned companies on the impact that COVID-19 is likely to have on their firms' prospects over the next five years.

As far as the response to the pandemic is concerned, our survey showed that close to 80% of family- and non-family-owned companies have put support measures in place for their employees. Interestingly, we note that family-owned companies have resorted less to furloughing their staff than non-family-owned companies (46% versus 55%). Our survey also shows that, among family-owned companies, support programs have been set up most often in Asia rather than in Europe or the USA. This might reflect a greater availability of government-sponsored support programs in these regions.

COVID-19 is likely to have longer-term implications for companies as only 40% of the family-owned companies surveyed expect revenues and profitability to return to pre-COVID levels within 12 months. With that in mind, we analyzed how companies typically respond to longer-term downturns. The survey suggests that family-owned companies are more likely to restructure existing businesses, whereas non-family-owned companies would diversify more easily into new products or services. It would seem that family companies tend to "stick to what they know." Nevertheless, both of the groups of companies surveyed believe that the way they operate their business is likely to change (around 55% of the companies believe that staffing levels will not return to pre-COVID-19 levels). This is likely to raise social challenges since 60% of non-family-owned companies and 48% of family-owned companies believe that their companies are "likely" or "very likely" to shift to a more temporary flexible workforce rather than full-time employees in a post-COVID world.

Family-owned companies and social policies

Although there are many things we appreciate about family-owned companies, we do see room for improvement in a number of areas. For example, our survey shows that, compared to non-family-owned companies, family-owned companies on average have less-diverse management boards, fewer of them have support groups for the lesbian, gay, bisexual and trans (LGBT) and black, Asian and minority ethnic (BAME) communities, or have made public statements concerning respect for human rights or the related United Nation principles. The growing relevance of ESG investing is likely to put increased pressure on corporates to address these issues.

The Family 1000

Our updated analysis of family-owned companies suggests that their "alpha credentials" remain intact. Using our database of over 1,000 publicly listed family- or founder-owned companies, we calculate an annual average alpha of around 370 basis points since 2006. Reasons for this include superior revenue growth and cash flow returns. Family-owned companies offer safety in periods of market stress – during the first six months of this year, they outperformed non-family-owned companies by 300 basis points.

The Family 1000 database

The basis for our work on family-owned companies is our proprietary database called the "Family 1000," which consists of publicly listed companies we have identified that meet one or both of our criteria for family ownership:

- The founder or his or her family owns at least 20% of the company's share capital.
- The founder or his or her family controls at least 20% of the company's voting rights.

In our meetings with investors, we are often asked why we use these thresholds. As we will show later in this report, there does not appear to be a significant relationship between the size of a family's holding in a company and its performance. Therefore, we do not think it makes much sense to restrict our sample size by applying a minimum holding that is too high.

Our database includes family-owned companies that have been around for several hundred years as well as those that were only established a few years ago. Some investors feel that young companies, especially those run by young founders, should not be included as these do not represent "true long-term family-owned companies." However, we do not hold this view and believe that the inability to liquidate a sizable holding is similar for young founders as well as long-term families. This in turn makes it likely that both are more engaged with long-term value creation in their holding(s) rather than short-term opportunistic behavior, and that they can be combined.

After performing our annual review of the constituents of our database, we now have 1061 companies globally that meet one or both of our criteria, with almost half of them located in Asia. European family-owned companies make up 24% of the database, while those in the USA represent 14% of the balance. Our database has a small-cap bias given that 49% of our companies have a market capitalization of less than USD 3 billion, while 30% have a market capitalization of USD 7 billion or more.

Our family-owned database has a reasonably good spread across all sectors, with consumer discretionary stocks making up 18%, industrials 16% and consumer staples 13%. The fewest family-owned companies are found in energy (3%) and utilities (2%).

To provide investors with a snapshot of the constituents of our database, we highlight the top 25 companies by market capitalization and the 25 oldest companies in our database in **Table 1**.

Table 1: Top 25 companies by market capitalization and age

Largest 25 companies	Market cap. (USD bn)	Oldest 25 companies	Founding year
Alphabet	988	Orkla	1654
Facebook Inc.	659	Wendel	1704
Alibaba Group Holding Limited	588	LVMH	1743
Walmart Inc.	343	Man	1758
Samsung Electronics	277	Becle De Cv	1758
Roche	242	Jeronimo Martins	1792
LVMH	226	Miko	1801
Berkshire	209	Bucher Industries	1807
Comcast Corp.	197	Sedlmayr Grund Und Immobilien	1807
Ping An	196	Wiley John & Sons 'A'	1807
Tesla Inc	176	Thyssenkrupp	1811
Oracle Corporation	174	Merck Kgaa	1827
L'Oreal	167	Exmar	1829
Nike Inc.	162	Bossard 'B'	1831
Reliance	138	Hermes International	1837
Anheuser-Busch InBev	115	Kws Saat	1838
SoftBank Group	104	Oeneo	1838
TCS	103	Carlsberg B	1847
Keyence	101	Robertet	1850
Inditex	93	Bank Of The Philp.Isle.	1851
Hermes International	92	Anheuser-Busch InBev	1852
Volkswagen	88	Bonduelle	1853
JD.com	87	Touax	1853
Christian Dior	82	Wheelock And Co.	1857
Chugai Pharmaceutical	78	Davide Campari Milano	1860

Source: Credit Suisse Research, Thomson Reuters Datastream

Figure 1: Family 1000 by region

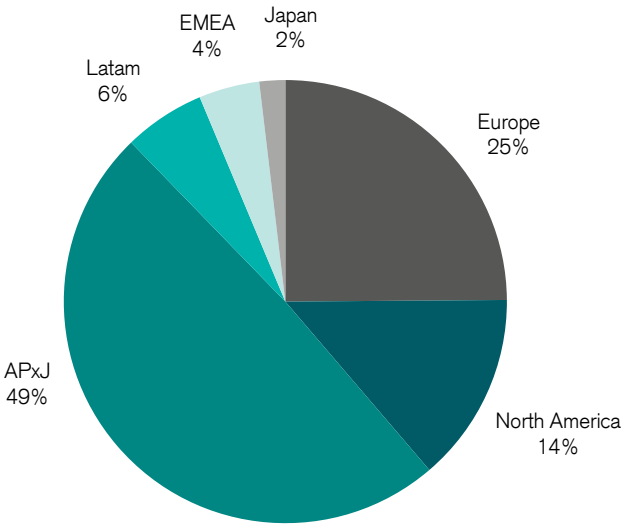
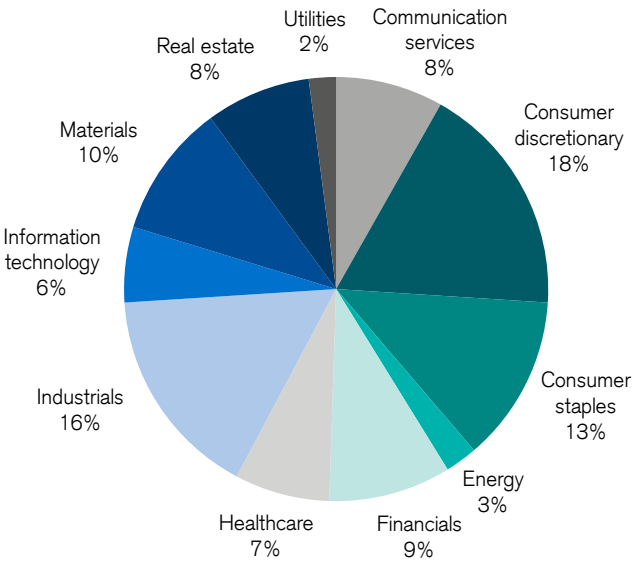


Figure 2: Family 1000 by sector



Source Figures 1–2: Credit Suisse Research, Thomson Reuters Datastream

Figure 3: Our family-owned universe by age

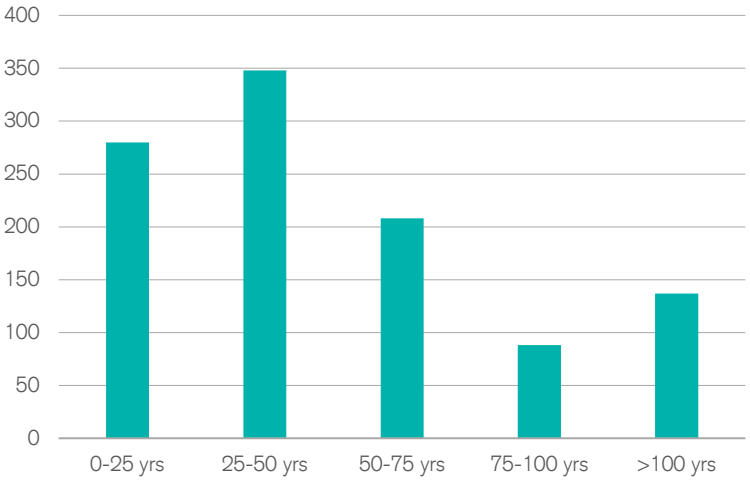
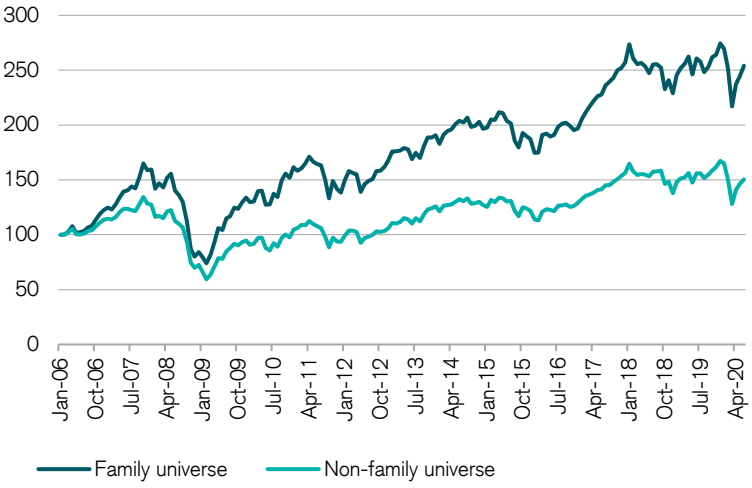


Figure 4: Market-capitalization-weighted and sector-adjusted returns – family-owned alpha through time



Source Figures 3–4: Credit Suisse Research, Thomson Reuters Datastream

As far as the duration of our family-owned companies is concerned, we find that the average constituent of our database is now into its third generation, with an average founding year of 1967. **Figure 3** shows the make-up of our database by age. It shows that almost 150 of our roughly 1,000 family-owned companies have been trading for more than 100 years.

Family 1000 performance update

In previous publications, we highlighted that family-owned companies had outperformed non-family-owned peers on a sector-adjusted and market-capitalization-weighted basis – labeling this outperformance "family-owned alpha." Our updated analysis of financial returns until the end of June 2020 suggests that the alpha factor is still present.

Using the overall universe of companies, we find that family-owned companies have outperformed non-family-owned peers on average by 370 basis points per year since 2006. The family-owned alpha has been greatest for smaller companies or those with a market capitalization of less than USD 3 billion (650 basis points per year) and smallest for large companies or those with a market capitalization of more than USD 7 billion (310 basis points per annum, see **Table 2**).

So far this year, it appears that the trend has somewhat reversed. While the overall alpha for the first six months of the year stands at 305 basis points (or an annualized 619 basis points), this is mainly driven by mid- and large-cap companies. One possible explanation for this could be that the COVID-19 pandemic has resulted in a more risk-averse approach by investors favoring larger over smaller companies.

Table 2: Return statistics – family returns relative to non-family companies

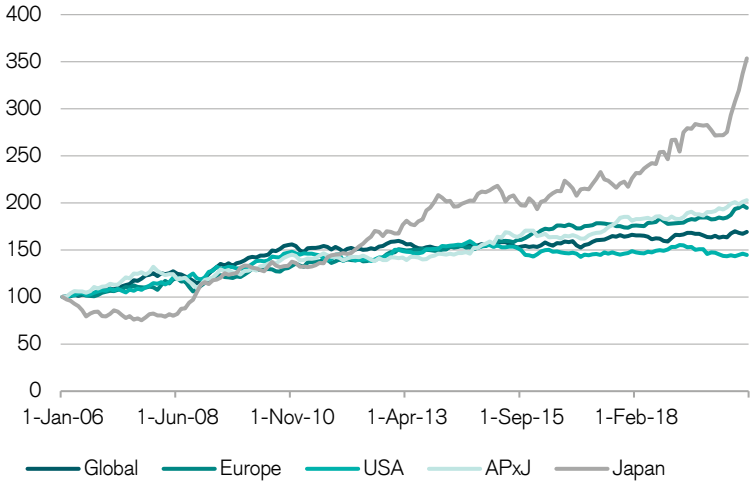
	Annual average since 2006				2020: January to June			
	Overall	**Small**	**Mid**	**Large**	**Overall**	**Small**	**Mid**	**Large**
Global	3.7%	6.5%	3.9%	3.1%	3.0%	1.6%	3.6%	2.7%
Europe	4.7%	6.2%	3.9%	3.0%	6.2%	6.9%	6.0%	5.2%
North America	2.6%	2.3%	3.0%	1.5%	0.7%	10.1%	5.9%	–1.1%
APxJ	5.0%	4.3%	2.9%	4.5%	5.1%	5.0%	6.2%	5.1%
Japan	9.2%	13.8%	1.6%	11.8%	30.1%	15.7%	5.3%	37.1%
EMEA	3.5%	–0.5%	11.9%	2.5%	0.5%	–41.6%	–1.9%	–2.7%
Latam	3.7%	6.5%	3.9%	3.1%	–5.9%	–11.9%	1.2%	–1.2%

Source: Credit Suisse Research, Thomson Reuters Datastream

Family-owned company returns by region
We have also updated our performance statistics by region. This shows that the family alpha appears strongest in Japan, given an annual average outperformance of almost 920 basis points. However, we note that the universe of Japanese family-owned companies is somewhat limited as these make up just 6% of the overall universe, which probably reduces the significance of our calculations somewhat.

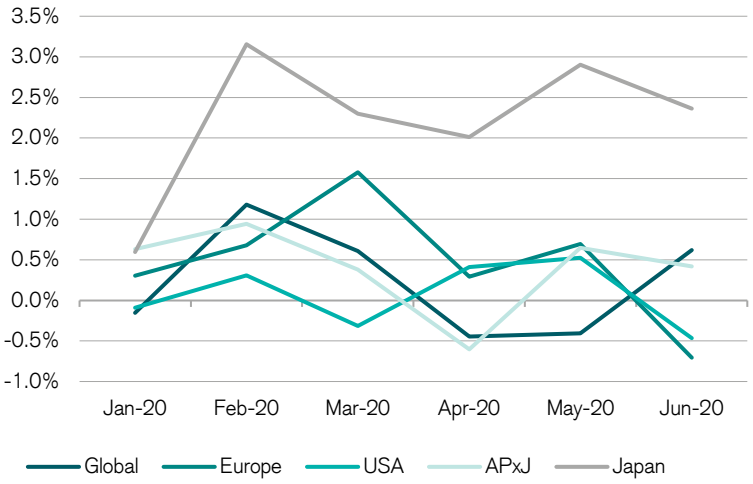
Family-owned companies in Europe have outperformed their non-family-owned peers by 470 basis points per year since 2006. Furthermore, so far this year, the alpha component stands at an impressive 620 basis points, making 2020 the 15th consecutive year in which European family-owned companies have outperformed their non-family-owned peers.

Figure 5: Family alpha by region – relative performance of family-owned versus non-family-owned



> “Our updated analysis of financial returns until the end of June 2020 suggests that the alpha factor is still present

Figure 6: Family- versus non-family-owned returns by region, 2020 to date



Source Figures 5–6: Credit Suisse Research, Thomson Reuters Datastream

Family-owned companies in Asia ex Japan have performed broadly in line with those in Europe, given an annual average outperformance since 2006 of 500 basis points. In contrast to the returns seen for family-owned companies in Europe, Japan and Asia Pacific ex Japan, we find that returns for US family-owned companies remain somewhat muted compared to their local non-family-owned peers. The overall annual alpha is below average at around 260 basis points, while US family-owned companies have outperformed their local peers by an annualized 132 basis points year to date.

In one of our previous reports, we wrote that family-owned companies had above-average-quality characteristics such as higher margins and cash flow returns, and lower debt levels. We felt this allowed them to outperform broader markets, especially during so-called “risk-off” periods. Our updated return series provides more support for that argument.

Figure 7: Performance of family-owned companies by generation

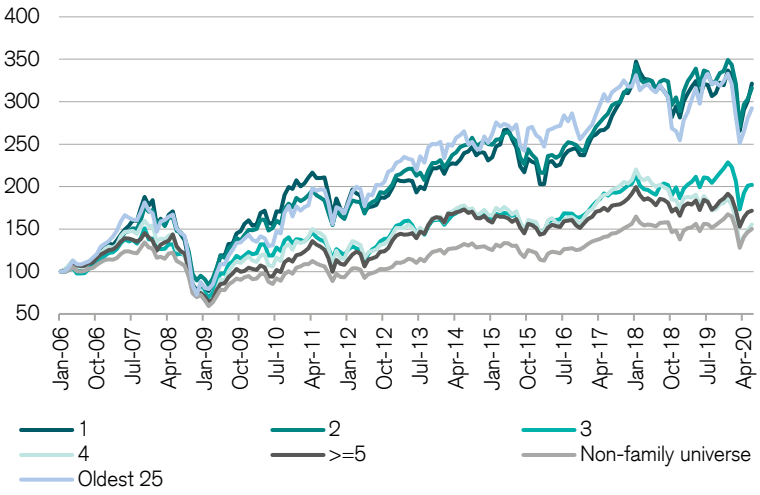


Figure 8: Price performance by generation

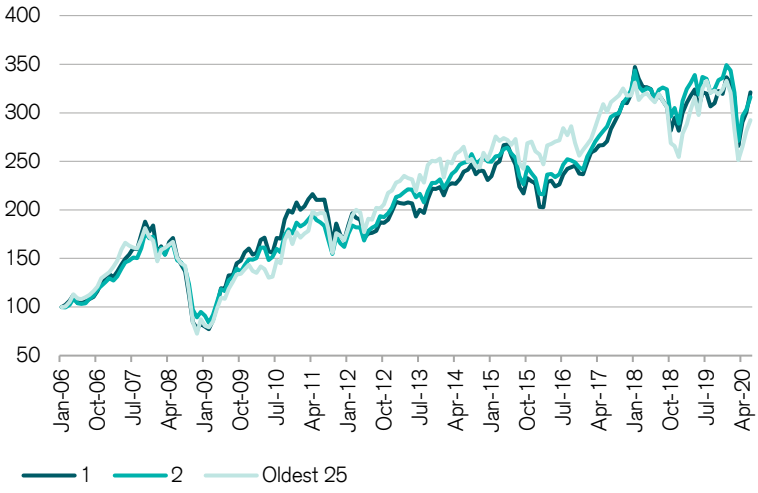
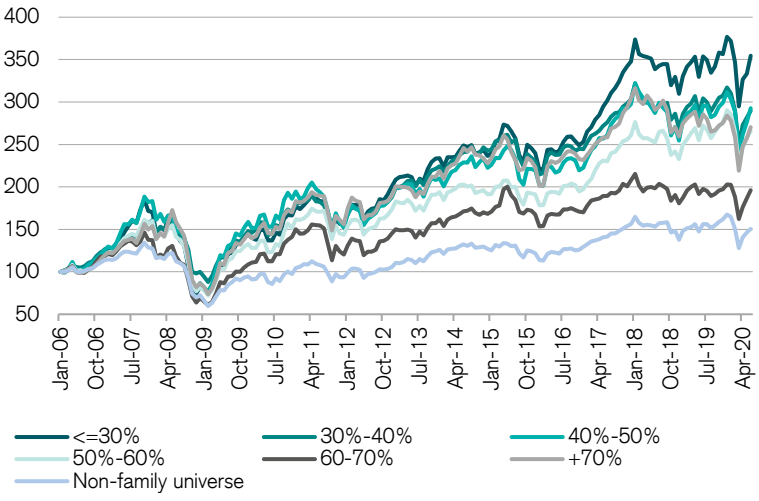


Figure 9: A smaller stake typically suggests a better return, but not always



Source Figures 7–9: Credit Suisse Research

During the first half of this year, markets corrected sharply and equity volatility levels rose strongly as uncertainty about the impact of the COVID-19 pandemic spread. **Figure 6** shows that family-owned companies in every region generated an annualized alpha during the January-June period that was above their respective long-term averages, thus clearly suggesting that they continue to benefit from defensive characteristics. In particular, family-owned companies in Japan and Europe showed resilience during the volatile first few months of this year as they outperformed their regional non-family-owned peers every month.

Returns by age

As highlighted earlier, we believe that family-owned companies may provide better "through-cycle" returns because their main shareholders (founder or family) have to adopt a long-term focus given that their capital is effectively locked in. As the company matures, ownership is likely to transfer from the original founders to their relatives, typically their children and grandchildren. This broader group of individuals, while related to the founders, might not have the same affiliation with the company, implying that the "family alpha" factor might decline over time.

We have calculated the relative share price returns for our family-owned companies when grouping them by age in order to assess whether a generational impact is visible. Our calculations suggest that younger family-owned companies (those in the first two generations) do tend to generate stronger share-price returns. This phenomenon seems to reflect the popular view we have heard from clients about family-owned companies. The first generation represents the wealth creators, the second generation represents the wealth inheritors, while the third generation and beyond is often seen as potential "wealth destroyers." While our data does not support the view that the third generation destroys wealth, it does support the relative view about the impact of the various generations.

To underline the notion that "younger does not always mean better," we refer to our return calculations for the 25 oldest family-owned companies in our database (see **Table 1** for the constituents).

These companies were founded between 1860 and 1654. Using a market-capitalization-weighted return calculation suggests that this group generated a return profile not very different from that produced by the first- and second-generation family-owned companies. For the latter, however, the return profiles were calculated on a sector-adjusted as well as a market-capitalization-weighted basis.

Returns by holding

In addition to our analysis of returns by age, we are also asked frequently whether the size of a family or founder's holding matters. We have calculated relative share price returns for our companies when grouping them by holding and conclude that the data suggests that a smaller holding typically coincides with a stronger outperformance. Family-owned companies with a family or founder stake of less than 30% generated the best performance, whereas those with a 60% or higher stake offered the lowest outperformance.

We do not necessarily believe that regional factors play a role in explaining why companies with a smaller family holding perform better. The data for our universe suggests that the regional mix is fairly stable irrespective of the size of the family holding.

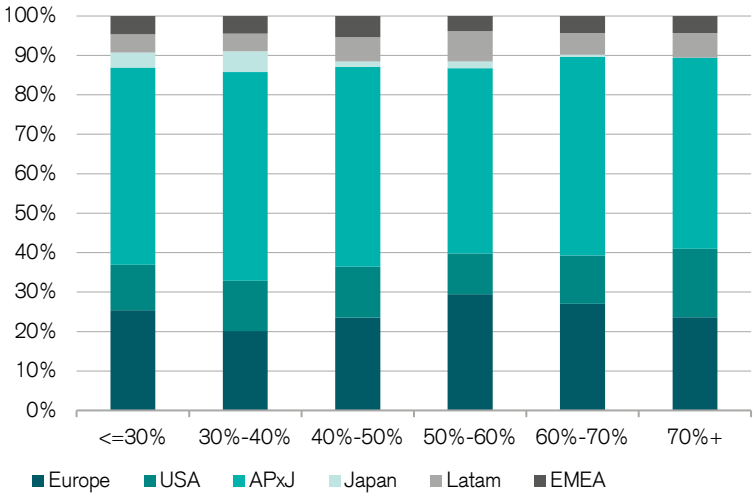
As a possible reason for the inverse relationship between the size of the family holding and a company's outperformance, we note that a lower stake enhances the liquidity of the underlying shares. Furthermore, it could also address concerns that some investors might have in relation to the dominance of a family or founder in the running of the company.

> “
>
> We clearly find that family-owned companies...tend to generate superior top-line growth

Financial performance of family-owned companies

The key question in relation to the superior share price returns for family-owned companies is why this happens. As stated earlier, our hypothesis is that family-owned companies have a longer-term focus when running their businesses, which should provide more robust returns on a through-cycle basis. Our updated calculations suggest that this is indeed the case.

Figure 10: Mix of family-owned companies based on the size of the holding



Source: Credit Suisse Research

Figure 11: Revenue growth premium for family- versus non-family-owned companies

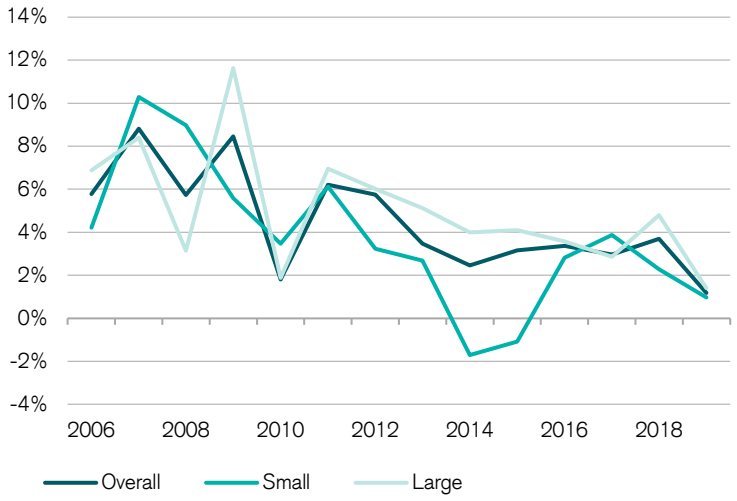


Figure 12: EBITDA margin difference between family- and non-family-owned companies

Source Figures 11–12: Credit Suisse Research, Thomson Reuters Datastream

Figure 13: CFROI levels – family companies outperform

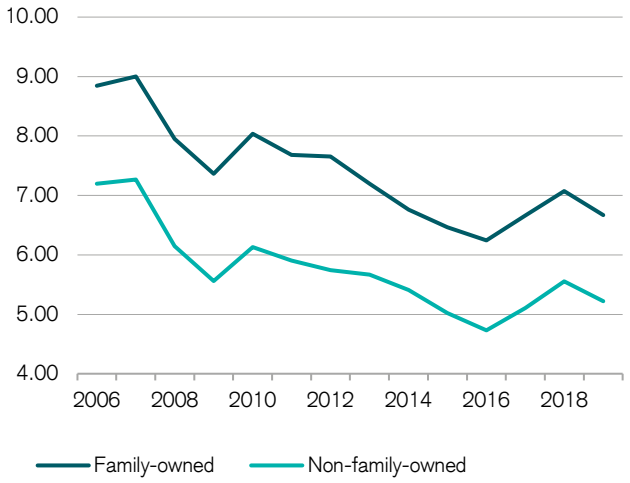


Figure 14: 2019 CFROI levels by region

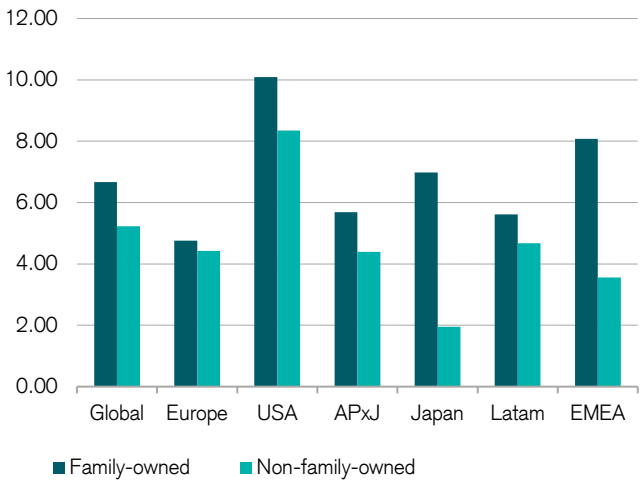


Figure 15: Average net debt/EBITDA for the overall database

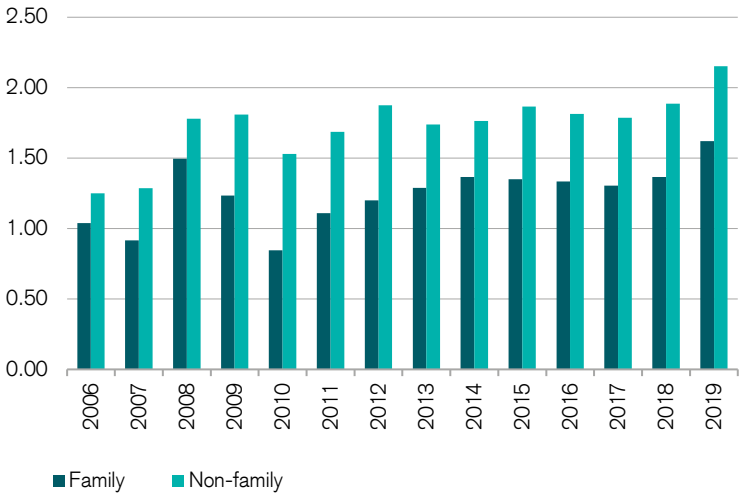


Figure 16: Net debt/EBITDA for small versus large firms

Source Figures 13–16: Credit Suisse Research, Thomson Reuters Datastream

Revenue growth

We clearly find that family-owned companies, whether large or small, tend to generate superior top-line growth. Since 2006, revenue growth for family-owned companies averaged 11.3% compared to 6.8% for our non-family-owned control group. The data for 2019 does suggest a rather sharp decline to a premium of just around 100 basis points. This decrease appears to be mostly driven by companies in Asia and the USA, where the revenue growth premium dropped to 0.1% and –2.1%, respectively.

Profitability

We find that family-owned companies not only generate stronger revenue growth, but also appear to be more profitable than their non-family-owned peers. We calculated EBITDA margins for both sets of companies and conclude that family-owned corporates have generated higher margins every year since 2006. In addition, we find that the EBITDA margin premium generated by family-owned companies has been steadily increasing and reached almost 300 basis points last year. The margin differential is greater for smaller companies than for larger ones, suggesting that the family impact might reduce as companies grow.

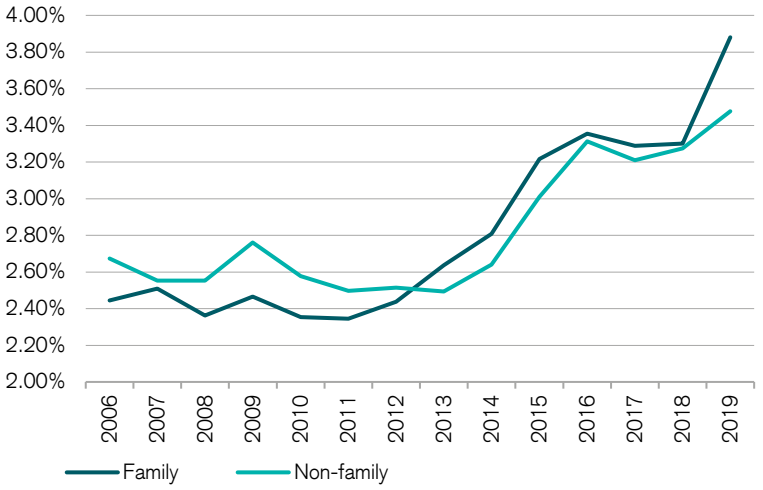
We also reviewed profitability using cash flow return on investment (CFROI) as an indicator. Again, this shows a clear and consistent degree of outperformance by family-owned companies, not only on a global level, but also for each of the regions covered by our database. When we compare the CFROI profiles between smaller and larger companies, we find similar results to those observed in relation to EBITDA margins. The family-owned CFROI premium for smaller companies is greater than for larger companies.

Balance-sheet strength
The historical track record of family-owned companies in terms of revenue growth, margins and cash flow returns is better than that of non-family-owned peers. Investors might wonder whether family-owned companies rely more on external funding for growth than non-family-owned companies or whether they are more conservative in their funding.

We have calculated net-debt-to-EBITDA levels for our family-owned companies and compared these to their non-family-owned companies. The data clearly suggests that, on average, family-owned companies do run their operations with lower gearing levels. Interestingly, we find that during the so-called Great Financial Crisis of 2008–10, family-owned companies reduced debt levels much more quickly than non-family-owned peers. This was the case for both smaller and larger family-owned firms. More recently, debt levels have started to rise again relative to underlying EBITDA. It remains to be seen whether the current period of economic stress will result in a pullback of debt levels again or whether they will remain elevated given that interest rates are currently very low and unlikely to rise sharply in the short-to-medium term.

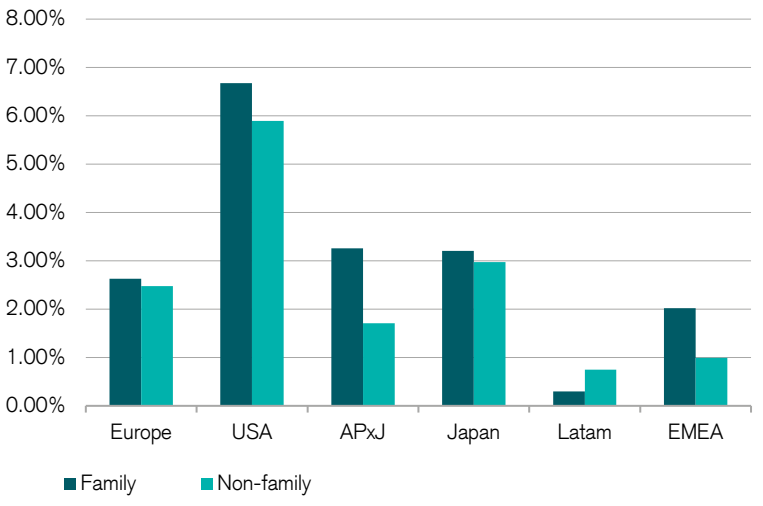
companies appear to invest more in R&D as a percentage of revenues than their non-family-owned peers. Since we see R&D spending as inherently longer-term, we believe the greater R&D spending intensity of family-owned companies supports the view that they have a longer-term focus on business development than non-family-owned companies.

Figure 17: R&D spending as a percentage of revenues



> “Family-owned companies...also appear to be more profitable than their non-family-owned peers

Figure 18: R&D spending as a percentage of revenues by region



Source Figures 17–18: Credit Suisse Research, Thomson Reuters Datastream

Innovation focus
Our previous work on family-owned companies highlighted that the stronger through-cycle financial performance might be the result of family companies having a longer-term focus on their businesses relative to non-family-owned companies. One parameter that might help in answering this question relates to the amount of research and development (R&D) investment undertaken by the two types of companies. The data for both subsets of companies shows that, both on a global and regional level, family-owned

ESG and family-owned companies

Over the past few years, the focus on environmental, social and governance (ESG) investing has risen exponentially. Companies are no longer judged purely on their financial performance, but are increasingly reviewed in terms of their ESG credentials. In this year's report, we explore whether there is a difference between the ESG credentials of family-owned companies and non-family-owned companies. Here we not only assess how family-owned companies "score" according to one of the ESG rating companies, but also draw on the results from our survey of 269 family-owned and non-family-owned companies.

ESG scores and the "family factor"

In our discussions with investors, we find that most if not all of them use one or more of the ESG rating companies. The companies most often used are Sustainalytics, MSCI, FTSE Russell and Refinitiv. These rating agencies assess companies on their ESG performance and provide a score for each of the individual components (environmental, social and governance) as well as an overall ESG score.

In our ESG analysis, we frequently highlight that there is still much debate with regard to these rating agencies. For example, in contrast to credit rating agencies, the ESG rating companies can have significant differences in their opinions on the ESG performance of a company. As a result, investors may find that a company scores highly with one rating agency, but poorly with another. Another criticism relates to data availability. Not all companies are covered by the ESG rating companies, and the agencies do not always cover the same companies. This is particularly true for corporates that are smaller and/or located in emerging markets.

Despite the "concerns" over these ESG rating companies, we have used Refinitiv's scores to assess how our family-owned universe performs in terms of ESG credentials relative to our wider non-family-owned universe. To try and eliminate regional and size biases, we have compared the ESG scores for family- and non-family-owned companies by region and have calculated market-capitalization-adjusted scores within each region.

The calculations using the overall database suggest that, on average, family-owned companies tend to have a slightly better ESG score than the universe of non-family-owned companies. Interestingly, we find that the relative performance has been improving consistently during the past five years. This slightly better-than-average ESG score can also be seen in most sectors. Despite the overall higher average score, we note that family-owned companies perform slightly worse than their non-family-owned peers when it comes to governance. This does resonate with feedback from investors who typically point out that minority shareholder rights might be an issue in a company that is controlled by a family or founder.

Figure 1: Average ESG scores – family-owned versus non-family-owned companies using the overall database

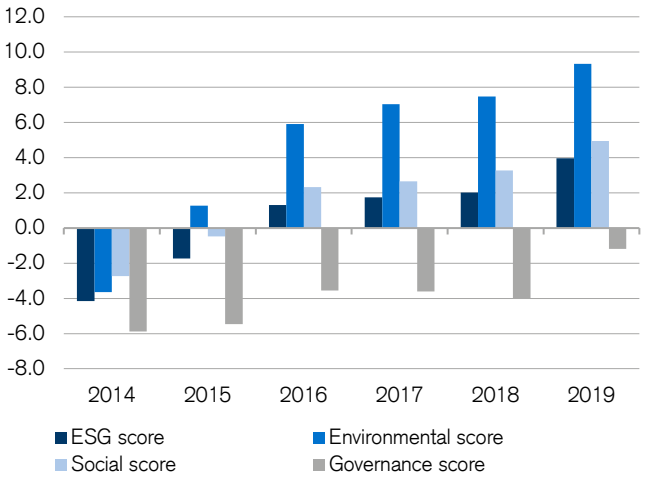
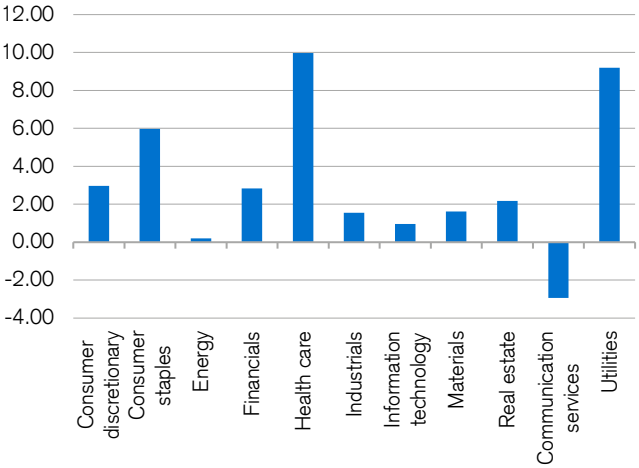


Figure 2: Average ESG scores by sector – family-owned versus non-family-owned companies



ESG scores by region

We have also reviewed our family-owned database to assess whether there are regional differences with regard to ESG scores. Overall, we find that European family-owned companies score better than their family-owned peers in the other two regions. A development worth noting is the improvement seen in average ESG scores for the family-owned companies in Asia Pacific ex Japan.

When breaking down the scores by category, we find that the European family-owned companies' "lead" over the other regions appears to be primarily driven by their environmental ("E") and social ("S") scores, even though Asian companies appear to be closing the gap with their European peers.

The average score for governance ("G") is also of note. Here Asian companies tend to score better than both European and US family-owned companies, which might come as somewhat of a surprise to some investors.

Figure 3: Average ESG score for family-owned companies

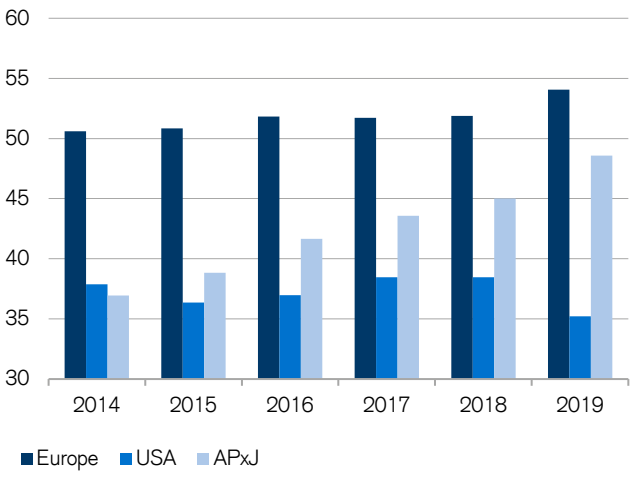
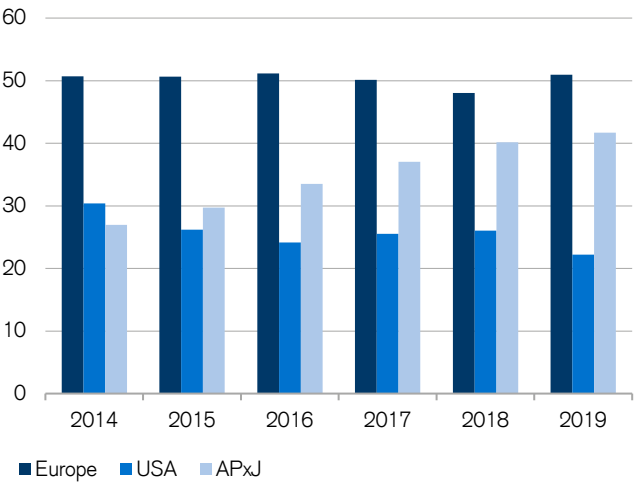


Figure 4: Average "E" score for family-owned companies



Source Figures 1–4: Credit Suisse Research, Refinitiv

ESG score by generation

We have also reviewed whether the performance of family-owned companies in terms of ESG differs depending on the age of a company. To what degree are younger companies more or less focused on ESG than firms that have been operating for more than 50 or 100 years? Our analysis suggests that older family-owned companies tend, on average, to have a somewhat higher ESG score using Refinitiv's ESG methodology. This phenomenon is not a one-year event, but has been apparent since 2014, despite a gradual improvement in ESG scores over time.

When broken down into the three ESG components, we find that older companies (those in their third generation or more) score better across all three areas. However, it does seem that younger family-owned companies are making relative progress in their environmental and social performance. For example, in 2014, family-owned companies in their first two generations trailed those in their third generation or more by over 16 points as far as their "E" score was concerned. This dropped to 10.5 points last year.

Some investors might also be surprised to see that older family-owned firms have better ESG scores than younger ones given that the ESG agenda is often associated more with younger rather than older people. Older family-owned companies not only have more established business models than younger ones, but will also have a greater number of younger family-owned members associated with the firm. Their interests may lie more with the development of the non-financial corporate agenda rather than the business itself, which could explain the better ESG credentials of older family-owned firms in our view.

Figure 5: Average "S" score for family-owned companies

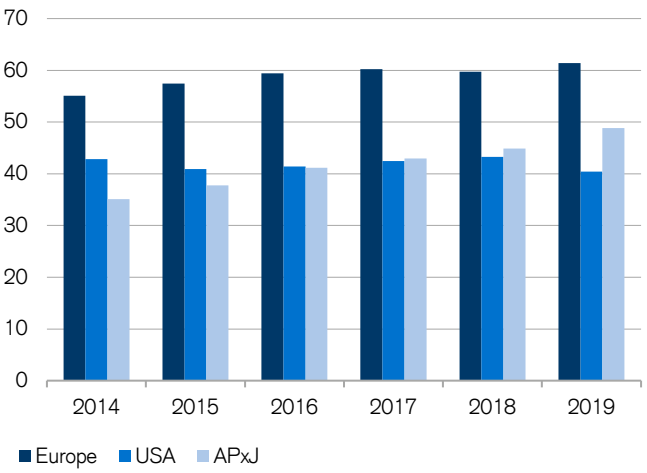


Figure 6: Average "G" score for family-owned companies

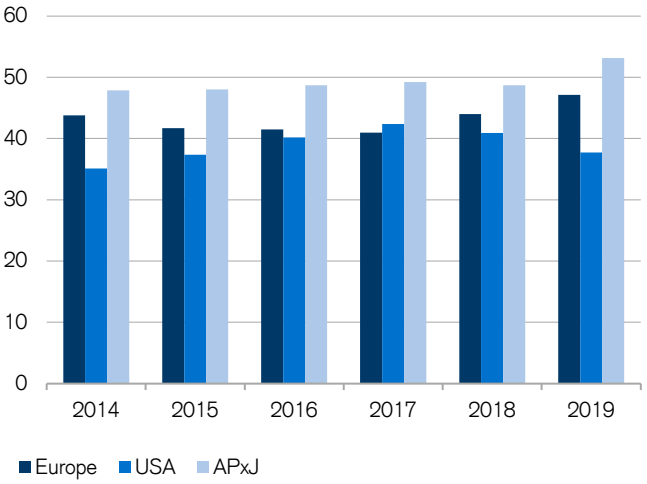


Figure 7: Average ESG score by generation

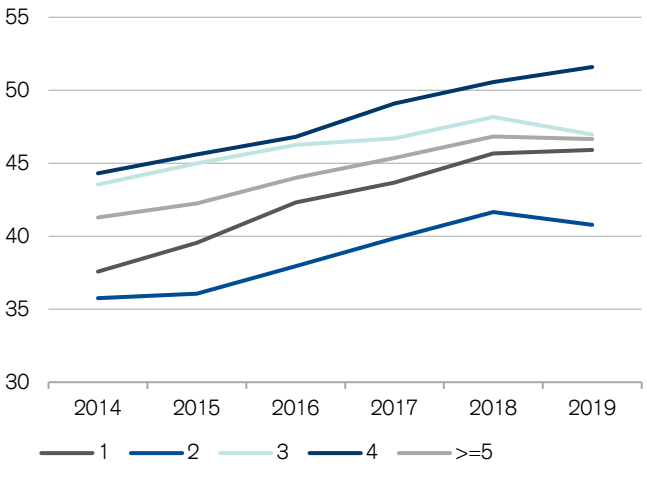
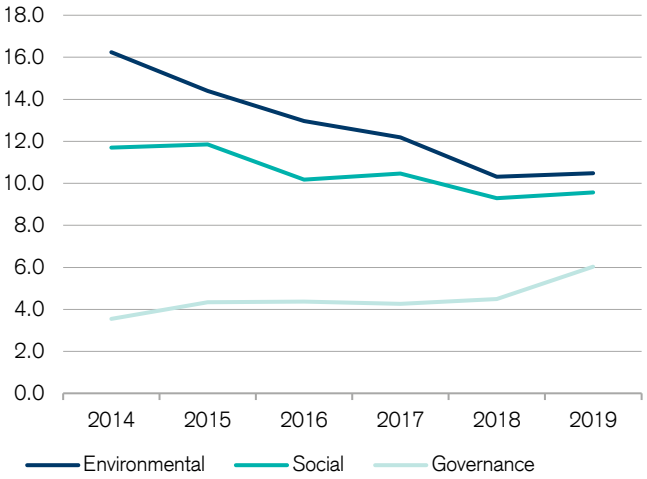


Figure 8: Average ESG score – Generation 3–5+ versus 1–2



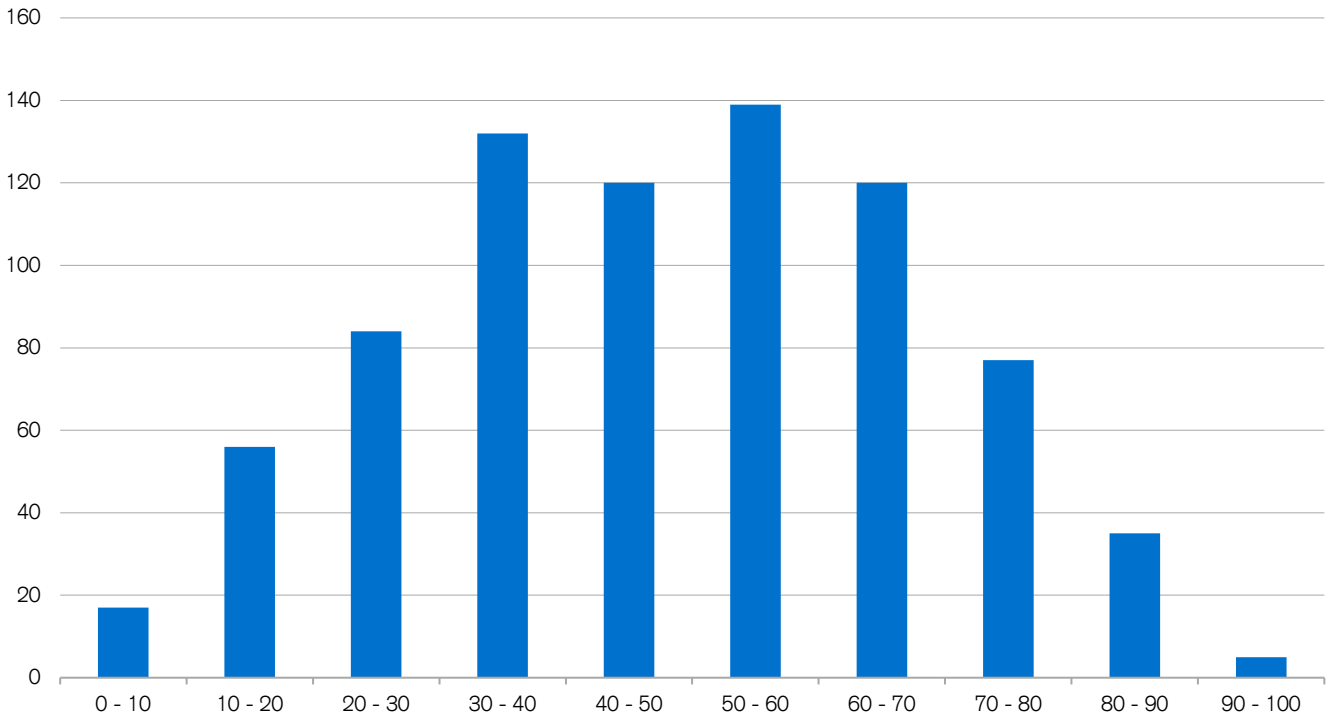
Source Figures 5–8: Credit Suisse Research, Refinitiv

ESG scores by company: Who scores best?

Figure 9 shows the distribution of ESG scores across our universe of family-owned companies. The distribution is fairly even around the 50 mid-point, but for investors interested in understanding which companies have the highest scores, we list the top 25 in **Table 1**.

What is interesting to note in relation to **Table 1** is that the companies mentioned are not all large. ESG ratings typically have a large-cap bias, but this is not true for the top 25 family-owned companies in our database. Eleven of them have a market capitalization of less than USD 10 billion, while seven have a market capitalization of less than USD 5 billion.

Figure 9: ESG scores by decile



Source: Credit Suisse Research, Refinitiv

Table 1: Top 25 family-owned companies by ESG score

Company	Market cap. (USD bn)	ESG	E	S	G
Fiat Chrysler Autos.	17.9	92	97	94	82
Samsung Electronics	260.9	91	93	90	88
Alfa Laval	9.3	90	91	88	94
Inditex	83.8	90	97	97	81
Coca-Cola Hbc	9.2	90	85	91	95
Gap	4.7	88	82	92	87
Itau Unibanco Holding Pn	47.2	88	89	95	79
Roche Holding	244.8	88	93	97	72
Melia Hotels Intl.	1.0	88	96	90	76
Wipro	16.6	87	77	91	87
Casino Guichard-P	4.1	87	83	97	76
Arcelik	1.9	87	95	86	77
Aperam (Lux)	2.3	86	77	94	88
Minor International	3.3	86	89	87	82
Acciona	5.5	85	91	90	70
Taiwan Mobile	12.9	84	76	85	90
Ayala Land	10.2	84	81	90	81
Db Insurance	2.4	84	77	87	82
Dr Reddys Laboratories	8.7	84	69	83	96
Continental	19.6	84	88	82	80
Orkla	8.7	84	96	87	64
Prologis Reit	67.4	83	87	87	76
Atlantia	13.5	83	85	80	85
Bmw	41.8	83	85	84	79
Fubon Finl.Hldg.	15.2	83	76	88	78

Source: Credit Suisse Research, Refinitiv

Family-owned, COVID and ESG: Survey results

In order to better understand the ESG characteristics of family-owned companies, we performed a survey of more than 200 companies. Since the COVID-19 pandemic has shifted investors' focus toward social issues such as inequality, health and education, we set out to specifically assess whether family-owned companies differ from their non-family-owned peers in relation to social policies.

Figure 1: Number of companies surveyed by location

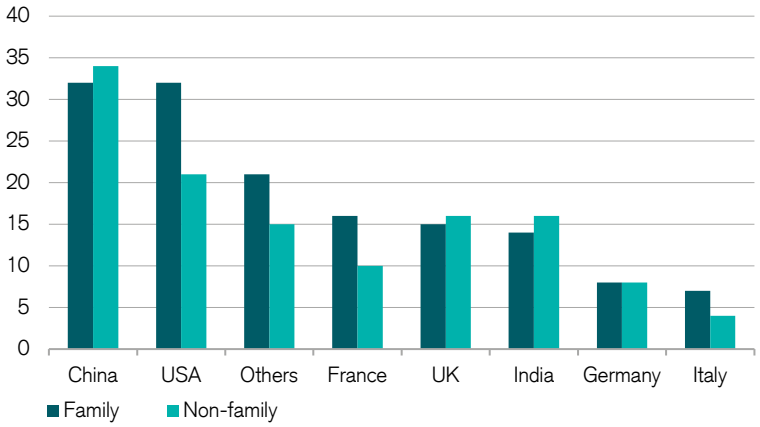
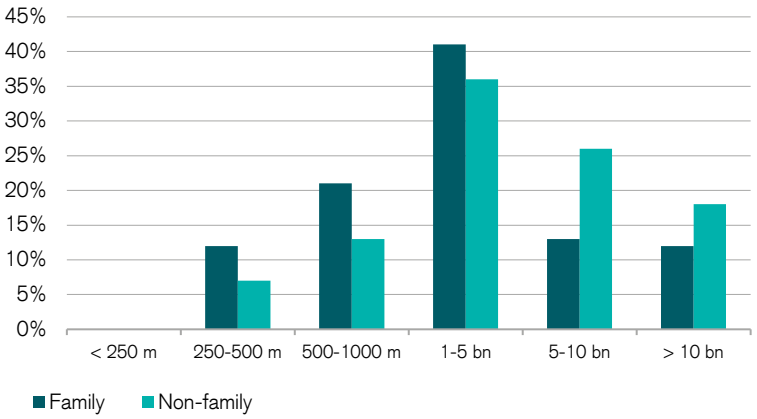


Figure 2: Annual revenue for companies surveyed (USD)



Source Figures 1–2: Credit Suisse Research

COVID-19: Impact and responses

For our analysis, we surveyed 145 publicly quoted family-owned companies and 124 non-family-owned companies across Europe, North and South America and Asia. We asked each of these 269 companies 36 questions. **Figures 1–4** provide key characteristics of the companies surveyed.

A number of questions were aimed at understanding how the COVID pandemic has affected the business of family- and non-family-owned companies and, importantly, what measures or decisions were taken as a result.

Impact of COVID-19 pandemic

We asked companies how severe the impact of COVID-19 has been on their business. We found that 21% of family-owned companies reported that COVID-19 had either not had a significant impact on their business or had even been net positive. For non-family companies, 30% also said that this had been the case. When we review the responses for the family-owned companies by region, we find that the qualitative assessment in terms of impact is fairly similar across Europe, the USA, China and India. Overall, our survey suggests that around 80% of family-owned companies have been negatively impacted by the pandemic.

Figure 3: "What is the share held by the family or founder in the company?"

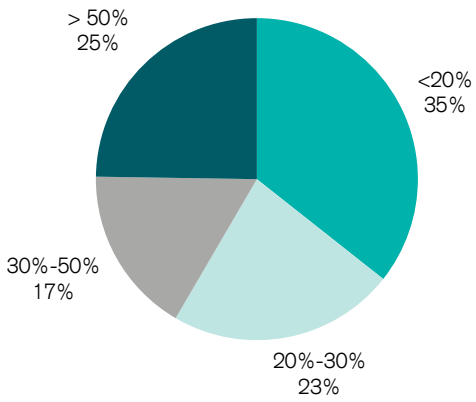


Figure 4: "Which generation do the current family owners represent?"

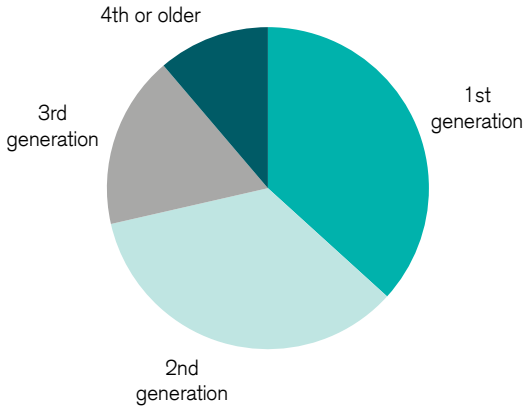


Figure 5: "How has COVID-19 affected your company?"

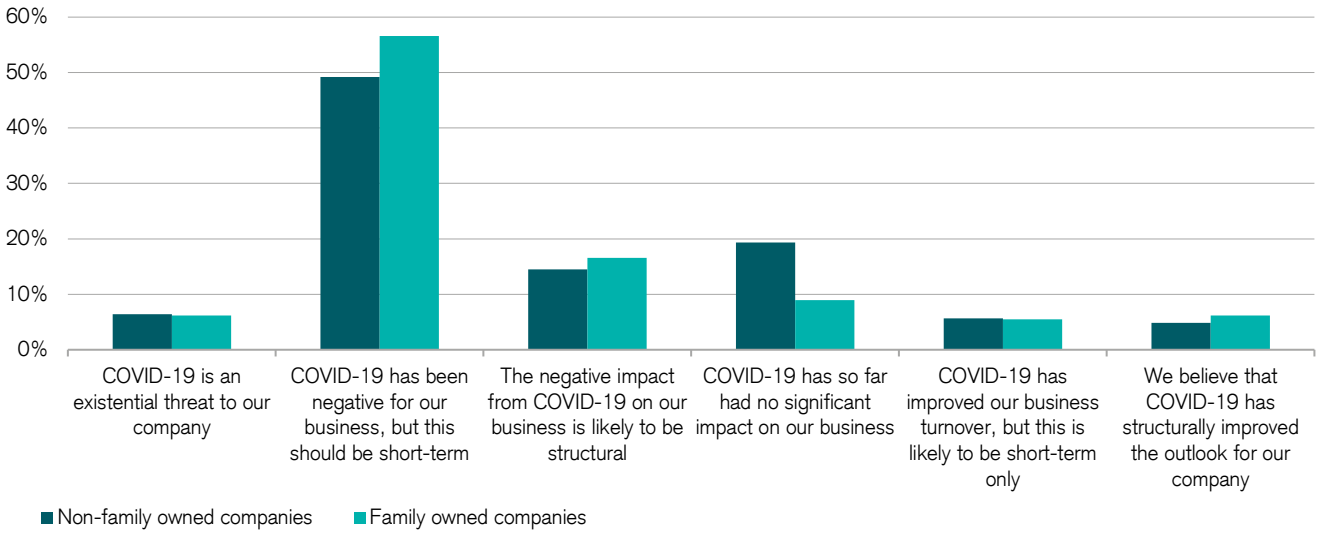
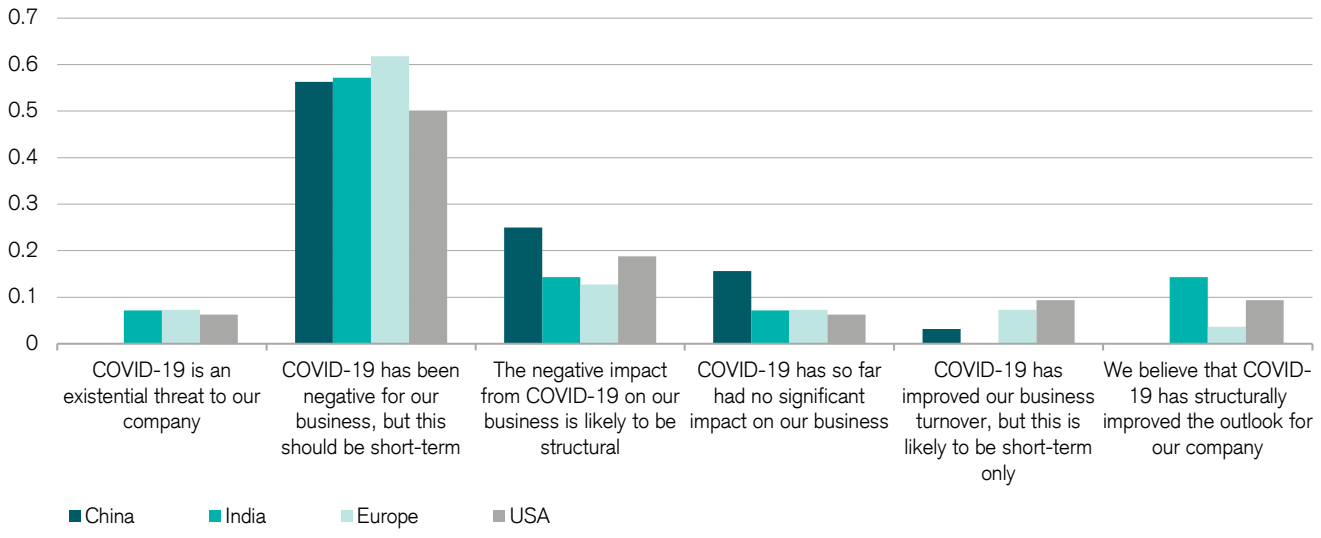


Figure 6: "How has COVID-19 affected your company?" – by region



Source Figures 3–6: Credit Suisse Research

Figure 7: "What revenue growth did your company generate last year?" – family business responses

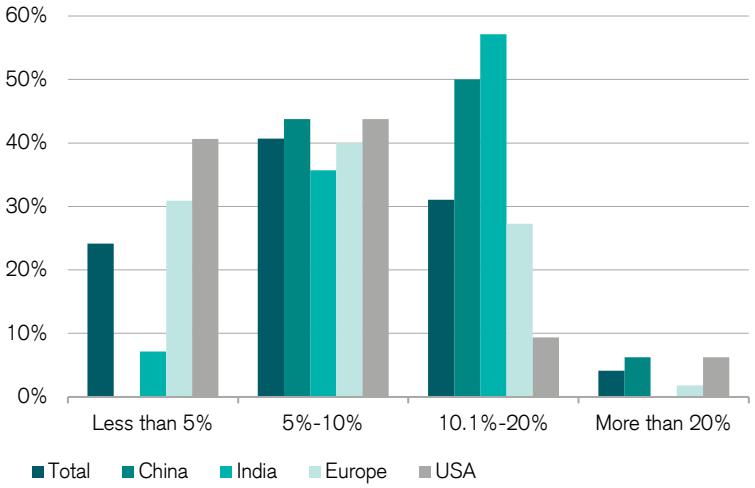


Figure 8: "What revenue growth did your company generate last year, this year and potentially over the next 3–5 years?"

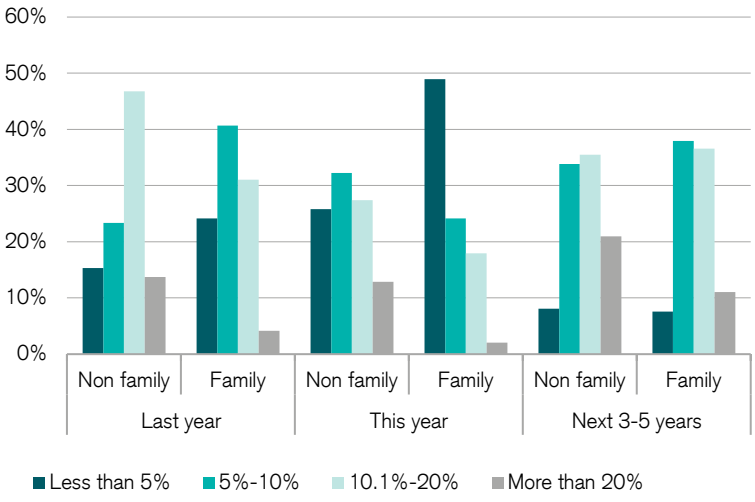
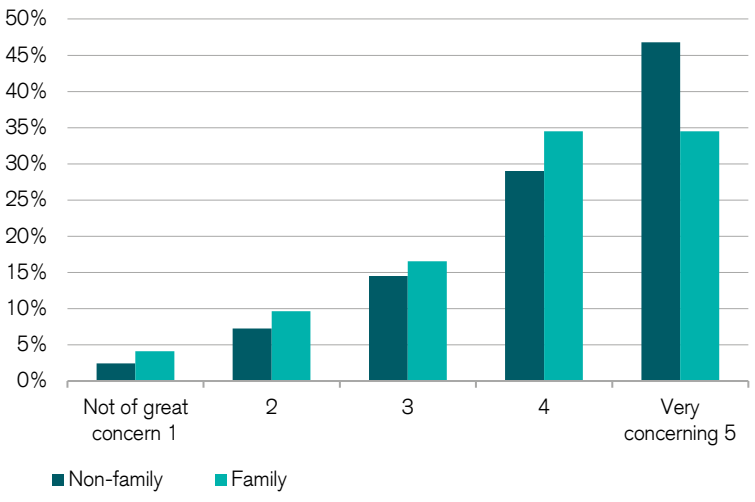


Figure 9: "How much is COVID a concern to your firm's prospects in the next five years?"



Source Figures 7–9: Credit Suisse Research

One important question for investors is to what extent the pandemic has affected the relative growth profile of our companies. We asked a number of revenue-related questions focused on historical, current and expected revenue growth assumptions in order to judge the impact of the pandemic.

Last year, 41% of the family-owned companies we surveyed generated 5%–10% revenue growth, while 31% managed to increase their top line by 10%–20%. Our non-family-owned companies did better as 47% generated 10%–20% revenue growth, which is at odds with our wider analysis of top-line revenue growth. We note that our overall analysis is performed on a sector-adjusted and market-capitalization-weighted basis, which is not the case for our survey results.

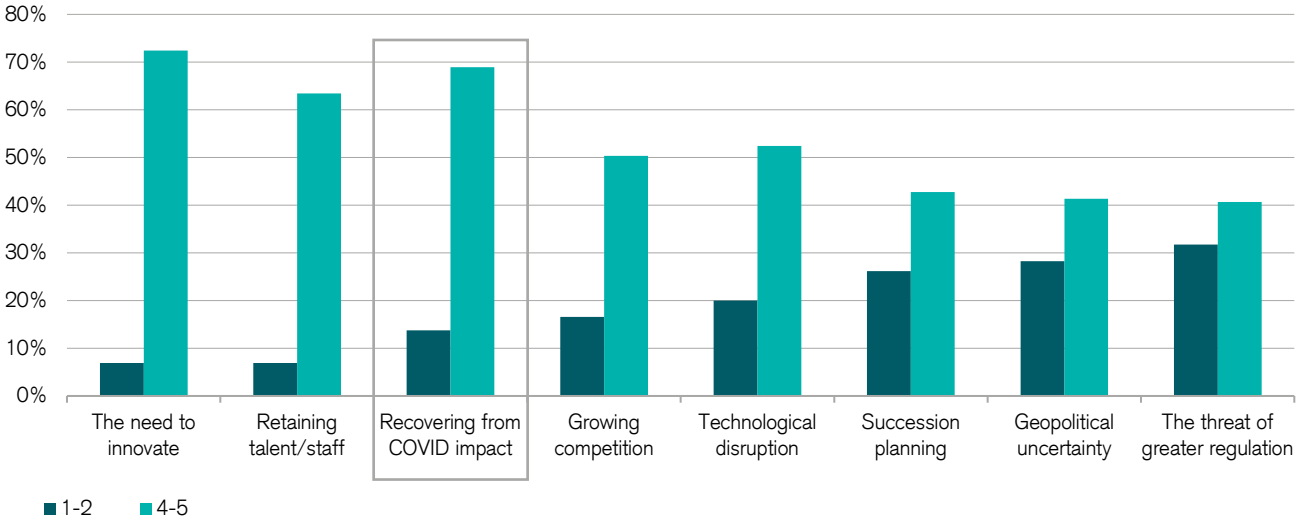
When reviewing the responses by region, we find that last year's revenue growth among family-owned companies was lowest in Europe and the USA. For example, 71% of family-owned companies surveyed in Europe generated less than 10% revenue growth compared to 44% and 43% for Chinese and Indian family-owned companies, respectively. Interestingly, in the USA, the share of companies with less than 10% top-line growth was even higher than in Europe at 85%.

Perhaps not surprisingly, this year's revenue growth is likely to be much lower than last year's as 49% of family-owned companies expect less than 5% growth, which is more than double the 24% that had these growth rates last year. Although the family-owned companies in our survey appear to have generated lower revenue growth than the non-family-owned companies, this may be shifting as 37% expect to generate 10%–20% revenue growth in the next 3–5 years compared to 35% for non-family-owned companies.

We also asked our companies how much of a concern COVID-19 is to them going forward. Despite the impact on revenue growth this year, it seems that the family-owned companies surveyed view COVID as slightly less of a concern to their firm's future prospects than non-family-owned companies. However, when presented with a range of challenges (see **Figure 10**), executives of family-owned companies do see COVID as the second-biggest challenge in the next five years behind the need to innovate and retain staff.

In other words, although family-owned companies have a slightly more optimistic view on the long-term impact of COVID-19 on their business than non-family-owned companies, they still regard it as one of their greatest challenges at this stage.

Figure 10: "On a scale of 1 (not concerned) to 5 (very concerned), how concerned are you about the following challenges over the next five years?"



Family-owned responses to COVID-19

The COVID-19 pandemic has put the spotlight firmly on the question as to how the relevant companies view their social responsibilities. The sudden and sharp shock to the global economy has created a real need for companies to engage with all of their stakeholders, employees, suppliers and customers in order to manage the long-term impact of the pandemic.

In order to assess whether family-owned companies have a stronger focus on their wider social responsibilities than non-family-owned companies, we included a number of questions related to COVID-related policy changes in our survey.

As far as support for key stakeholders is concerned, we find that, broadly speaking, family-owned companies have acted similarly to non-family-owned companies. Close to 80% of surveyed companies have provided support to affected employees, while around 60% have also provided better conditions to customers. Support for suppliers and the wider community has been lowest, however, with just around 40% of companies indicating that they had provided for them.

When we break down the family-owned responses by region, we find that companies located in Asia (China and India) appear to have been more focused on developing support packages for their key stakeholders than those located in Europe and the USA. This is especially true for helping customers and the wider community. One possible explanation for this might be that companies in developed markets assume or rely more on local governments to provide support packages.

Figure 11: "For which of the following stakeholders has your company developed support packages since the outbreak of COVID-19?"

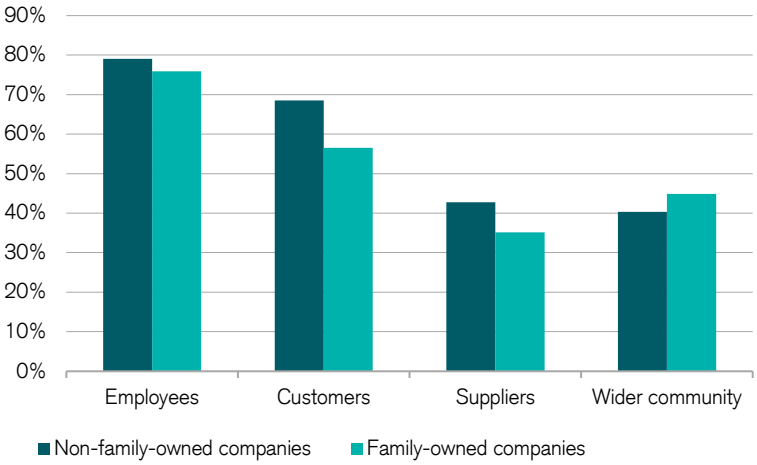
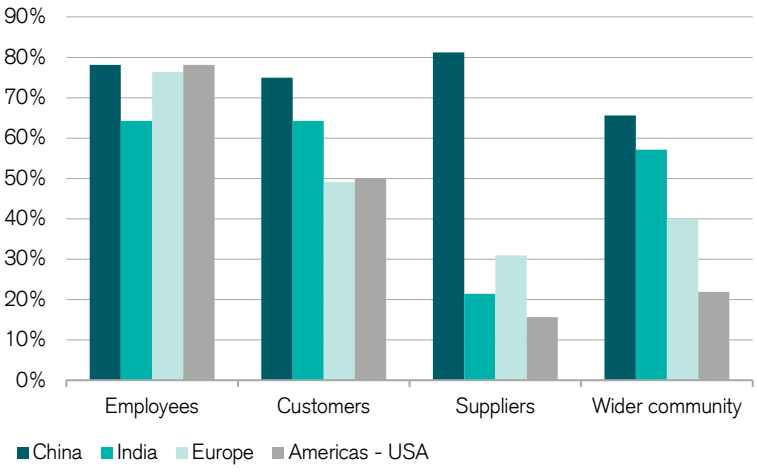


Figure 12: "For which of the following stakeholders has your company developed support packages since the outbreak of COVID-19?" – family-owned companies by region



Source Figures 10–12: Credit Suisse Research

Figure 13: "In relation to government COVID-19 support packages which of the following apply to your company?"

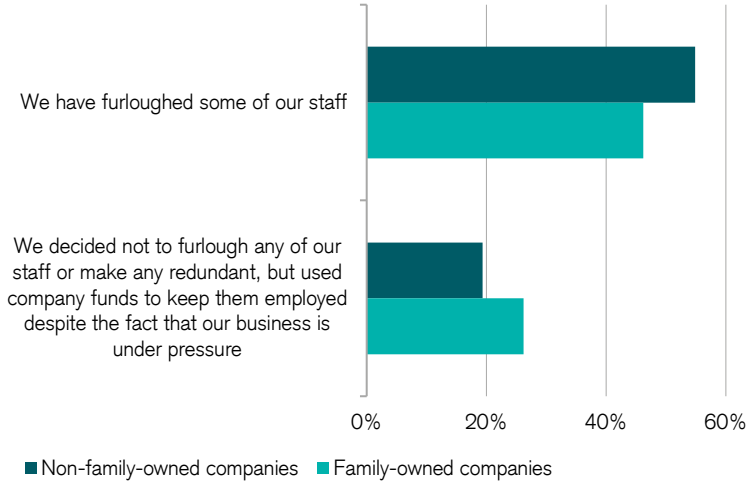


Figure 14: "Which of the following actions apply to your company in relation to decisions taken because of COVID-19?"

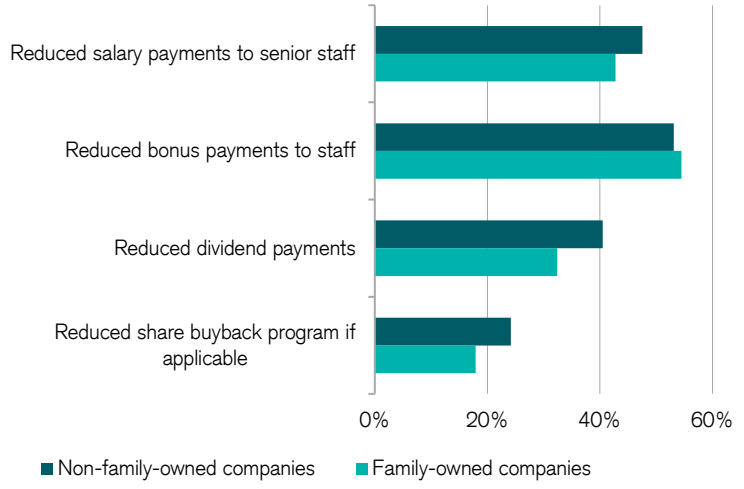
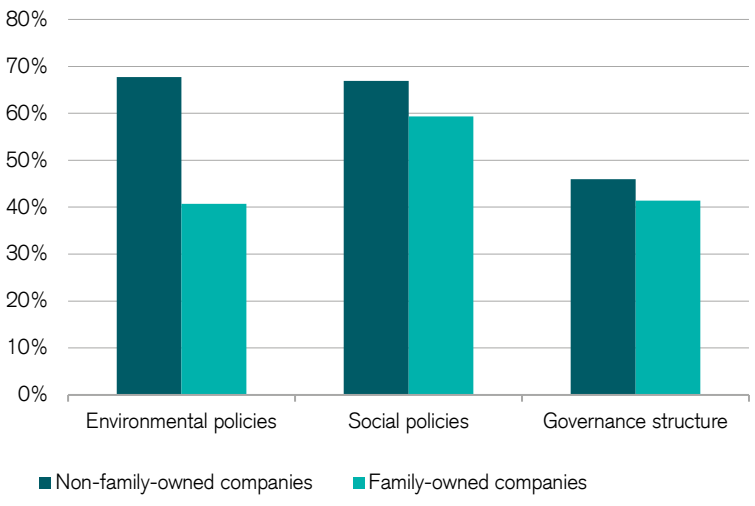


Figure 15: "Which of the following areas has your company started to focus on more since the outbreak of the COVID-19 pandemic?"



Source Figures 13–15: Credit Suisse Research

As far as support for employees is concerned, we note that family-owned companies have resorted less to furloughs and temporary layoffs of staff than non-family-owned peers. In fact, a higher share (26% versus 19%) have taken the decision to use company funds to keep people fully employed despite a negative impact from COVID-19 on their business. This somewhat greater willingness to use internal funds to minimize the financial impact on staff in family-owned companies is also apparent in the responses to our question related to payments to senior staff and dividends. It appears that, throughout the pandemic, family-owned companies may have been more concerned about keeping the impact on employees as small as possible even if this came at the expense of internal funds.

We also looked at corporate actions taken since the outbreak of the pandemic in a more holistic fashion. For example, we asked companies if they had started to focus more on environmental, social and governance-related practices and policies.

Our survey data suggests that the pandemic has been a much bigger driver for non-family-owned companies in relation to environmental policies than for family-owned companies. The responses related to social policies and governance are much more in agreement between the two subgroups. For family-owned companies, it appears that COVID-19 has caused them to focus more on their social policies than on environmental practices or their governance structure. In fact, when we break down the data by sector, we find that this is true across all key sectors.

From a regional perspective, we find that ESG has become much more of an issue in China since the outbreak of COVID-19 than in the USA or Europe. More than 90% of the Chinese family-owned companies surveyed indicated that they had focused more on their environmental and social policies since the start of the pandemic. The fact that European family-owned companies score lowest in all three areas should not necessarily be seen as an indication that they do not find ESG important. The reason is that ESG is generally much more established in Europe, which might mean that companies were already paying attention to ESG before the COVID-19 outbreak.

Finally, it is worth noting that the observation made earlier in relation to the greater focus on social policies by family-owned companies is not only sector-agnostic, but also seen across every region. COVID-19 has clearly put social policies more on the agenda globally than any other of the ESG-related issues that companies might (have to) focus on.

Family-owned companies in a post-pandemic world

The survey provides us with insights as to how family-owned companies are reacting to the impact of the current COVID-19 pandemic. However, another relevant topic is how family-owned companies expect to react or behave in a "post-pandemic world."

When asked about how long companies expect to be affected by the pandemic, we find that non-family-owned companies are slightly more optimistic than family-owned peers as almost a quarter of them believe that their revenues and profitability will return to pre-COVID levels before the end of 2020. Overall, 55% of non-family-owned companies believe that the financial impact of COVID-19 will normalize within 12 months compared to 40% of family-owned companies. What is also interesting, in our view, is that only a very small percentage of companies surveyed believe that it will take more than three years for the effects to normalize.

> "The COVID-19 pandemic has put the spotlight firmly on the question as to how relevant companies view their social responsibilities

We believe that the COVID-19 pandemic is likely to have longer-term implications, especially if it takes longer than expected to develop a vaccine. In that scenario, the current economic downturn or recession is likely to be prolonged, which raises the question how family-owned companies might respond. Here the survey provides interesting insights that in our view support the notion that family-owned companies have a longer-term focus.

When asked how companies typically respond to a recession or bear market, we find that non-family-owned companies tend to divest rather than restructure existing operations or diversify

Figure 16: "Which of the following areas has your company started to focus on more since the outbreak of the COVID-19 pandemic?"

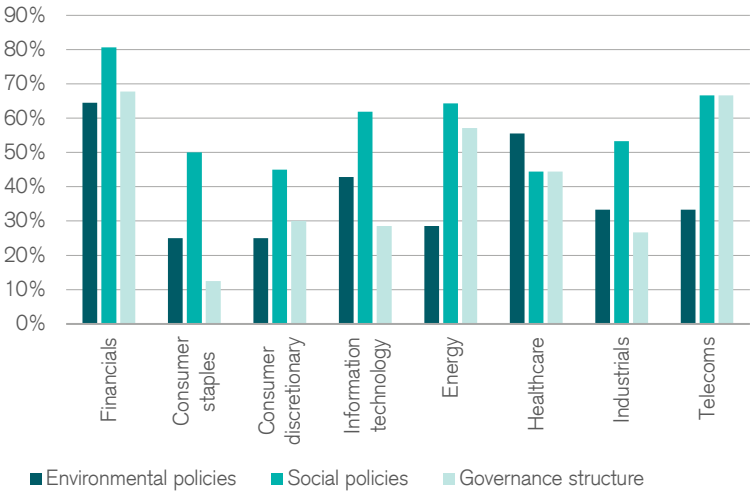


Figure 17: "Which of the following areas has your company started to focus on more since the outbreak of the COVID-19 pandemic?"

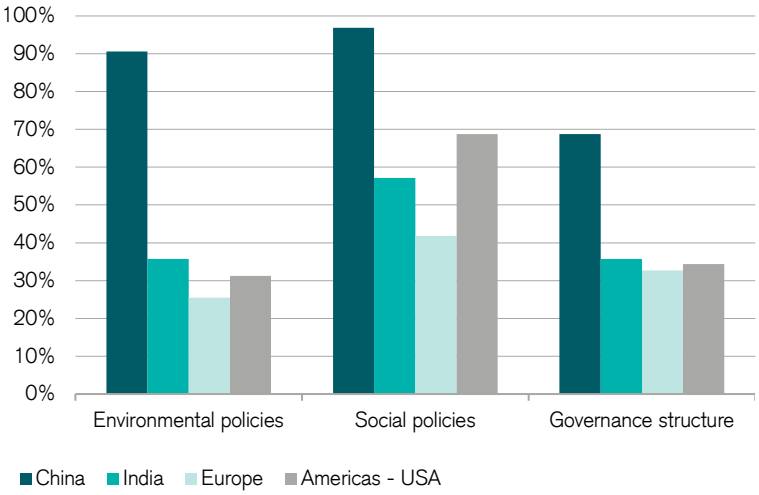
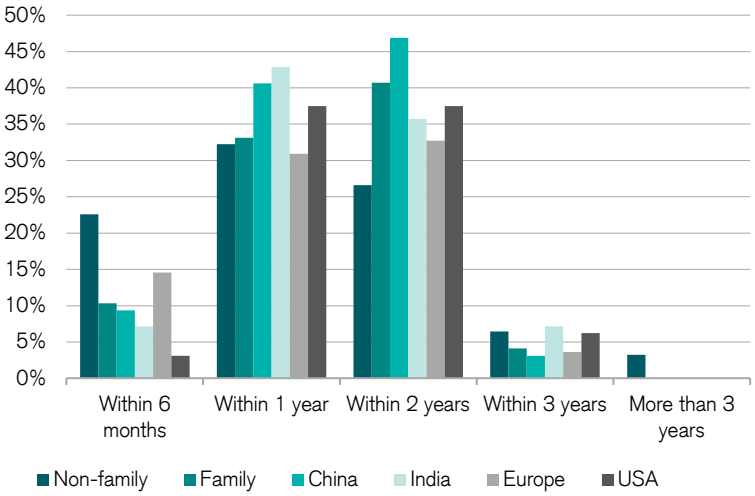


Figure 18: "When thinking about the negative impact of COVID-19 on your company, when do you expect that turnover and profitability for your company will return to pre-COVID levels?"



Source Figures 16–18: Credit Suisse Research

Figure 19: "Based on your experience, how does your company typically respond to a recession or bear market?"

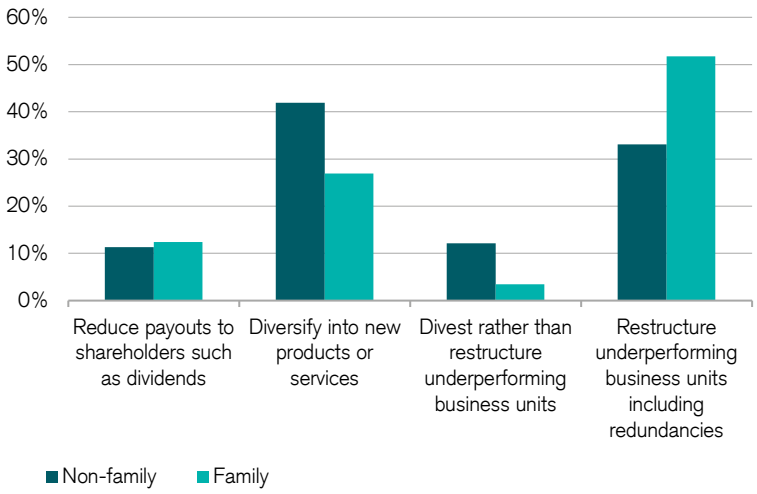


Figure 20: "Based on your experience, how does your company typically respond to a recession or bear market?"

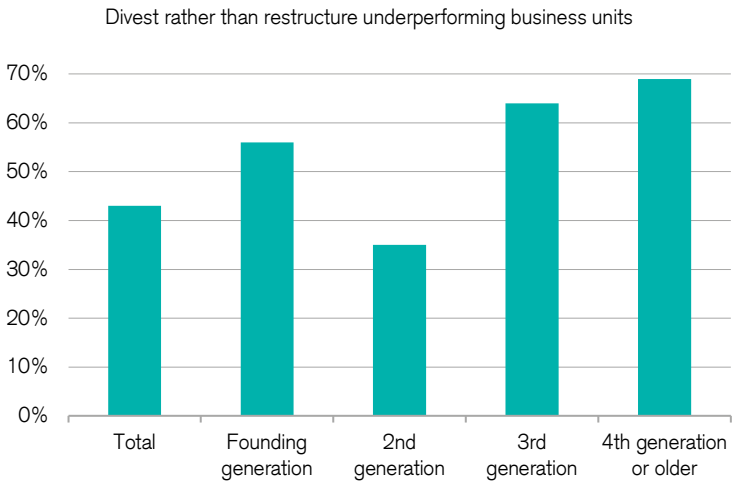


Figure 21: "In a post-COVID world, how do you expect your company's staffing levels will have changed?"

Source Figures 19–21: Credit Suisse Research

into new products or services. On the other hand, family-owned companies tend to increase their focus on existing operations and restructure them if needed. This tendency appears to grow as the company ages, with a noticeable dip for the second generation before increasing sharply for family-owned companies in their third generation or older.

Perhaps the willingness to consider a shift in the business is greatest in the second generation as the business model is not completely established. On the other hand, for companies in the third generation or older, one could argue that they are too well established with a proven business model to consider a switch. In other words, older family-owned companies have a greater tendency to remain focused on what they know and do best and aim to simply strengthen their existing businesses.

Unemployment levels have risen substantially across many markets as a result of the COVID-19 pandemic. How this is likely to change in a post-pandemic world is of great significance given that strong employment would support a stronger economic recovery and an improvement in public finances.

Our survey suggests that there does not appear to be a significant difference between family- and non-family-owned companies when it comes to expected employment post-COVID. Somewhat worrying is the fact that more than 50% of companies believe that employment will not return to pre-COVID levels. The majority of companies that hold this view base it on the fact that the pandemic has shown them that they can sustain their businesses with fewer employees. Consequently, this suggests that unemployment might remain structurally above average irrespective of the pandemic's impact on the companies businesses.

Another worrying issue, in our view, is the fact that a substantial share of companies surveyed intend to investigate the use of a temporary, more flexible workforce rather than a full-time workforce after the pandemic. More than 60% of non-family-owned companies believe that this switch is likely or very likely. Family-owned companies have a slightly less aggressive view on moving away from full-time employment, although 48% of them still believe that a move toward flexible work is likely or very likely.

Family-owned companies and other ESG topics

Our survey shows that a majority of family-owned companies have started to focus more extensively on their social policies and objectives since the outbreak of the COVID-19 pandemic. These appear to have centered mainly on supporting their staff and, to a somewhat lesser extent, their suppliers and customers. To understand the extent to which family-owned companies focus on a broader range of ESG-related matters, we also asked several questions focused on diversity, human rights and healthy living.

Diversity and family-owned companies: More needs to be done

The Credit Suisse Research Institute has generated a number of in-depth reports about gender diversity in corporations, with a specific focus on female board representation and the so-called "C-suite" of companies ("C" representing the word "chief"). In our survey, we asked our companies what share of their boards was made up of women. The data suggests that there is no significant difference between family- and non-family-owned companies on a global level. However, only 4% of family-owned companies have a female-dominated board, while women make up less than a quarter of the board in 52% of family-owned companies. These statistics suggest that gender equality in terms of female board representation is far from being achieved at this stage.

> "Statistics suggest that gender equality in terms of female board representation is far from being achieved

When we break down our results by region, we find that family-owned companies in Europe and China appear to have a more gender-diverse structure than those located in India and the USA. Interestingly, we also find that more mature family-owned companies tend to have a more diverse board structure as well. We would have expected the opposite result given that

Figure 22: "In a post-COVID world, how likely is your company to shift more toward a temporary, flexible workforce rather than full-time employees?"

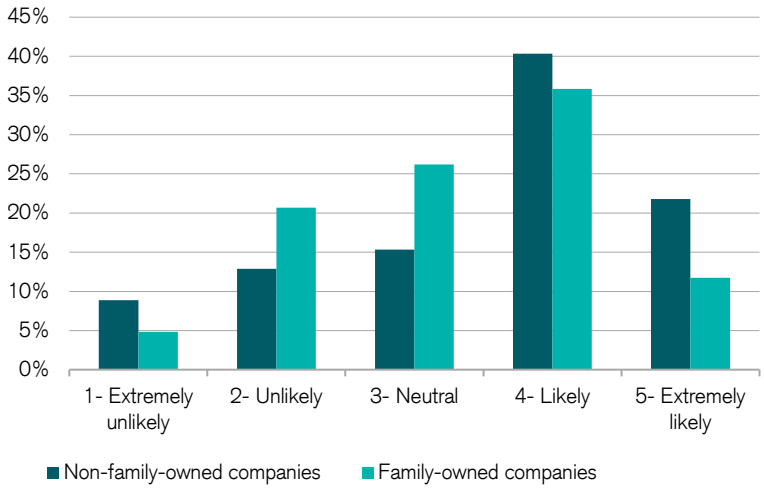


Figure 23: "In relation to your board, what percentage is made up of women?"

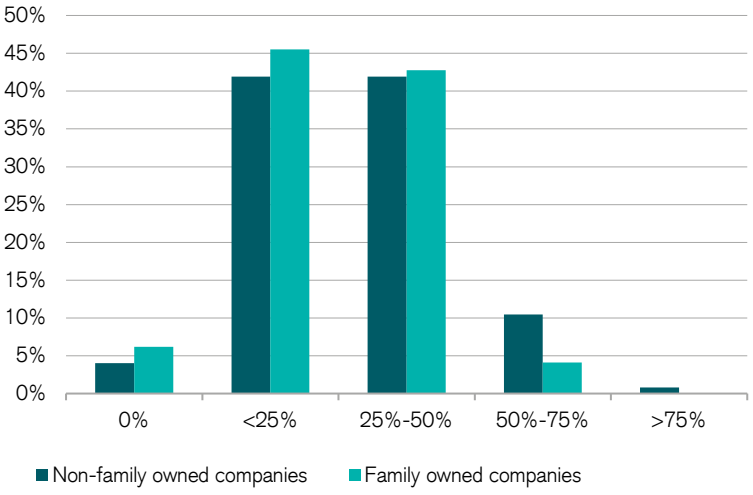
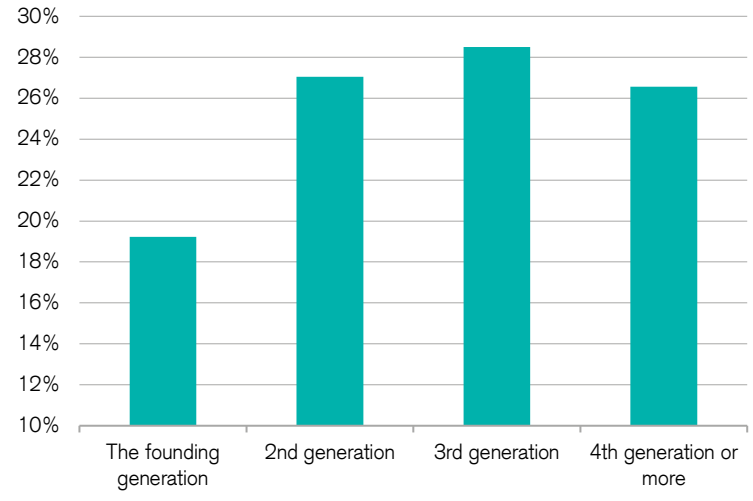


Figure 24: "In relation to your board, what percentage is made up of women?" – weighted average share by generation levels



Source Figures 22–24: Credit Suisse Research

Figure 25: "Which of the following policies are key for how your company engages with its staff?"

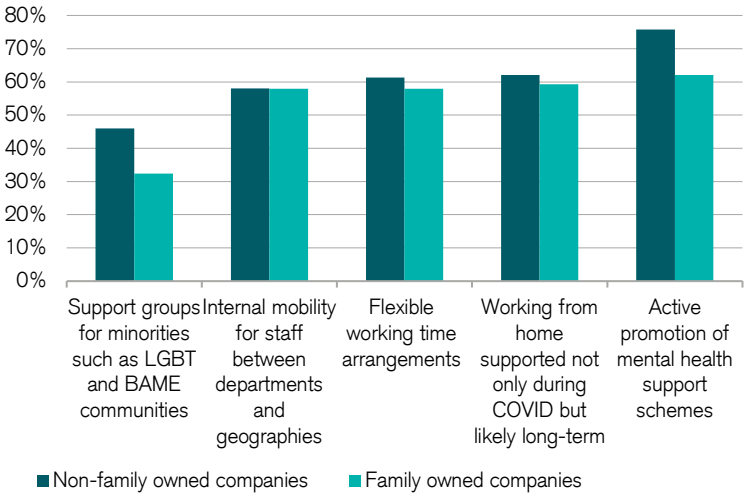


Figure 26: "My company has publicly stated its commitment to respect human rights or the Ten Principles of the UN Global Compact"

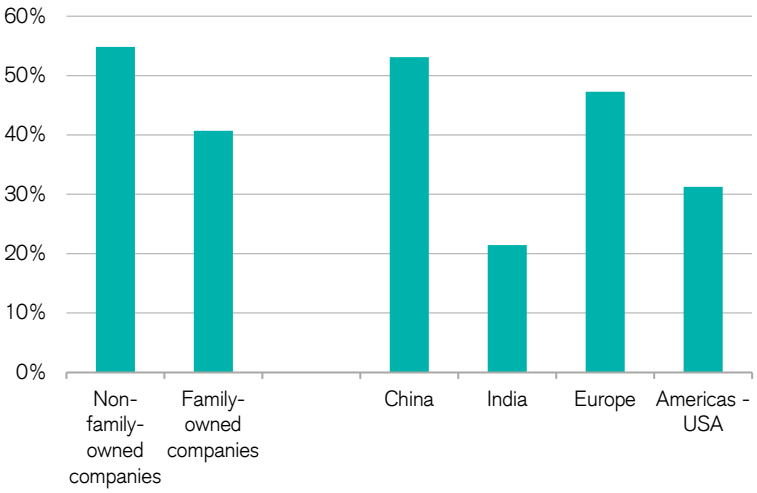
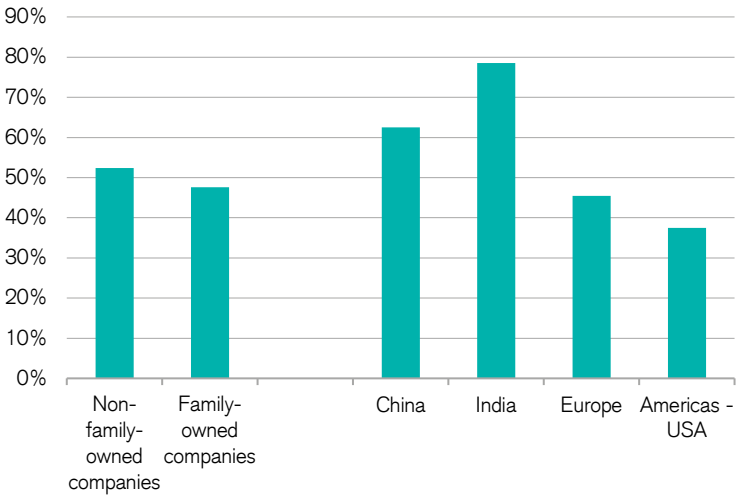


Figure 27: "My company has made senior staff responsible for human rights in the company"



Source Figures 25–27: Credit Suisse Research

the greater focus on gender diversity is a more recent phenomenon. We can only assume that younger family-owned companies tend to be founded more by men who in the early years of their company's existence may focus more on business development than on the need for and benefits of a more diverse workforce.

The topic of diversity in companies is not just a matter of male versus female participation, but one that is relevant for a broader range of minorities. To that end, we also asked our companies if they had active support programs focused on the lesbian, gay, bisexual, transgender (LGBT) and the black, Asian and minority ethnic (BAME) communities.

Our survey showed that, overall, 32% or just under one-third of the family-owned companies had these programs in place. No region scored close to or above 50%. There are a number of reasons why we see this as a relatively unimpressive result. First, we find that this percentage is substantially below the 46% for non-family-owned companies. Second, when presented with a wider range of workers' support programs including training support, flexible working arrangements, internal mobility or mental health support policies, we found that all of these programs have been adopted by more family-owned companies than programs focused on providing support to minorities.

Human rights and the family debate

In our broader work on ESG, we have found that investors have historically seen governance-related issues as impacting share prices more often than environmental or social issues. This year, we believe that the focus on socially related topics has increased, not least those topics that center on human rights. As the treatment of workers throughout a company's supply chain has become increasingly relevant to investors interested in ESG, we wanted to understand whether family-owned companies have a different focus on these issues compared to non-family-owned peers.

The data from our survey seems to suggest that family-owned companies have yet to broadly incorporate human rights-related policies and procedures into their day-to-day operations. For example, 41% of the companies surveyed indicate that they have publicly stated their commitment to respect human rights or the Ten Principles of the United Nations' Global Compact compared to 55% of non-family-owned companies. We also found that just one in two family-owned companies surveyed have made statements committed to respecting the principles concerning fundamental rights at work as set out in the UN's Declaration on Fundamental Principles and Rights at Work.

Again, this share is substantially below that of non-family-owned companies, which stands at 66% in our survey. One of the obvious indicators that a company cares deeply about adhering to human rights policies is whether senior staff have been made responsible for human rights in the company. This has happened in just 48% of the family-owned companies surveyed. Interestingly, this share is significantly higher in countries across Asia than in Europe or the USA.

Modern slavery policies and family-owned companies

Related to the topic of human rights is that of "modern slavery" or the mistreatment of workers, typically as part of a company's wider supply chain. While our survey focused on whether companies had incorporated policies and procedures in relation to modern slavery, the data suggests that this remains a "work in progress" topic.

Figure 28: "My company has policies aimed at identifying modern day slavery"

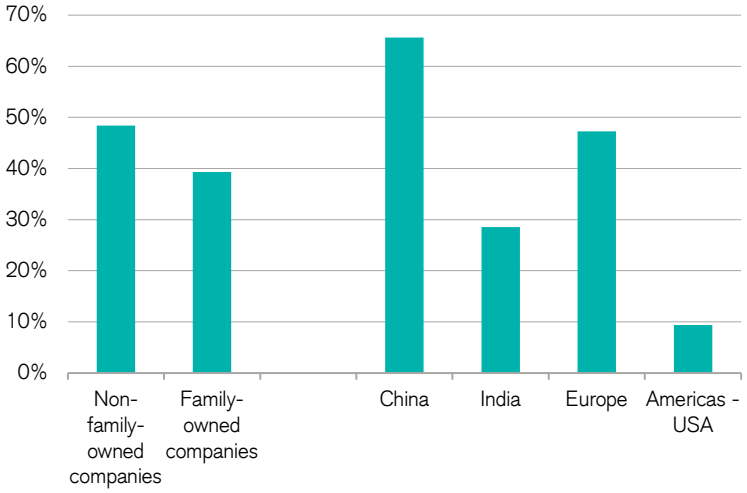
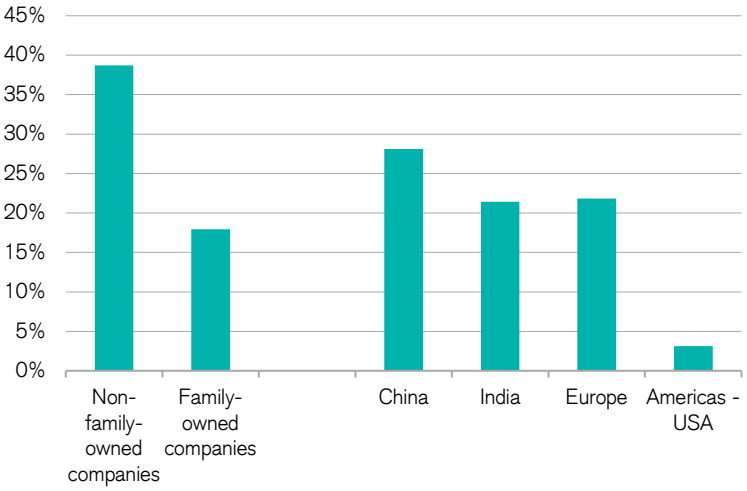


Figure 29: "My company has terminated contracts with suppliers as a result of concerns over workers' rights or poor working conditions"



Source Figures 28–29: Company data, Credit Suisse estimates

> "Key in addressing modern day slavery is not just identifying it, but also taking action when it is identified

For example, 48% of non-family-owned companies have put policies in place aimed at identifying modern slavery practices across their supply chains. For family-owned companies, the figure is just 39%. One of the key reasons for this low share is that just 9% of the US-based family-owned companies surveyed currently have such policies compared to 47% in Europe and 66% in China.

Key in addressing modern day slavery is not just identifying it, but also taking action when it is identified. Our survey suggests that around 40% of the non-family-owned companies that we interviewed had actually terminated contracts with suppliers as a result of concerns over workers' rights or poor conditions in these firms. For the family-owned companies surveyed, this share was much lower at 18%. When broken down by region, we find that just 3% of US family-owned companies surveyed had canceled contracts with suppliers compared to 21%–28% for family-owned companies in Europe, India and China.

Table 1: Top-ranked companies in the USA, Europe and Asia

Company	Sector	Country/market	Quality	Momentum	E	S	G	Average
Asia ex-Japan								
Wipro	Information tech.	India	74	56	77	91	86	77
Fortescue Metals Gp.	Materials	Australia	75	94	54	78	73	75
Reliance Industries	Energy	India	70	61	71	85	87	75
Cathay Finl.Hldg.	Financials	Taiwan (Chinese Taipei)	62	62	88	88	74	75
Country Garden Holdings	Real estate	China	75	60	88	82	61	73
Dr Reddys Laboratories	Healthcare	India	52	65	68	83	95	73
Hcl Technologies	Information tech.	India	84	62	71	79	67	73
Fubon Finl.Hldg.	Financials	Taiwan (Chinese Taipei)	57	59	76	88	80	72
Enn Energy Holdings	Utilities	China	85	63	66	56	76	69
Cipla	Healthcare	India	60	67	60	68	91	69
Ping An Insurance	Financials	China	89	58	75	69	53	69
Shun Tak Holdings	Industrials	Hong Kong SAR, China	53	65	64	82	74	67
Wh Group	Consumer staples	Hong Kong SAR, China	66	56	74	75	58	66
Divis Laboratories	Healthcare	India	68	67	51	54	62	60
Hong Leong Bank	Financials	Malaysia	55	54	51	64	69	59
Globe Telecom	Comm. services	Philippines	55	51	60	51	58	55
EMEA								
Polymetal International	Materials	Russian Fed.	85	75	78	80	92	82
Nk Lukoil	Energy	Russia	74	52	74	88	80	74
Polyus	Materials	Russia	82	66	60	67	59	67
Cyfrowy Polsat	Comm. services	Poland	67	50	53	78	60	62
Europe								
Alfa Laval	Industrials	Sweden	75	70	91	88	95	84
Aperam	Materials	Luxembourg	60	63	77	92	86	76
Vontobel Holding	Financials	Switzerland	90	80	82	57	66	75
Kuehne Und Nagel	Industrials	Switzerland	79	68	77	75	61	72
Sartorius	Healthcare	Germany	69	70	56	94	63	70
Seb	Cons. discretionary	France	61	58	74	97	60	70
Kaz Minerals	Materials	United Kingdom	64	85	51	67	81	70
Carlsberg B	Consumer staples	Denmark	77	53	52	74	79	67
Schroders	Financials	United Kingdom	62	57	78	57	75	66
Tomra Systems	Industrials	Norway	70	53	56	61	71	62
Dksh Holding	Industrials	Switzerland	54	52	53	86	54	60
Japan								
Uni Charm	Consumer staples	Japan	59	72	52	66	90	68
Latam								
Grupo Bimbo 'A'	Consumer staples	Mexico	55	57	91	75	80	71
Sul America Units	Financials	Brazil	68	72	64	63	81	70
Mrv Engenharia E Participacoes	Cons. discretionary	Brazil	53	59	80	80	51	65
North America								
Campbell Soup	Consumer staples	USA	72	65	84	92	72	77
Walmart	Consumer staples	USA	63	54	77	80	85	72
Watts Water Techs.	Industrials	USA	75	68	58	80	51	67
Molson Coors Beverage Co.	Consumer staples	USA	77	70	53	66	64	66
Hca Healthcare	Healthcare	USA	75	66	57	59	68	65
Comcast A	Comm. services	USA	67	53	59	70	61	62

Source: Credit Suisse HOLT®

Combining ESG and financial metrics

Our broader thematic and ESG analysis has shown that, over the past few years, equity markets have generally rewarded companies with strong cash flow returns and relatively strong earnings momentum as well as companies with strong ESG credentials.

In this report, we have shown that, on average, the financial performance and share-price returns for family-owned companies is stronger than for non-family-owned companies. This, in our view, might be related to the fact that family-owned companies have on average had better-quality characteristics.

We also reviewed the ESG characteristics of family-owned companies and found that, on average, they score a little better than non-family-owned companies when using ESG data from Refinitiv. However, our proprietary survey of 124 family-owned companies showed that, while family-owned companies have focused more on social policies since the outbreak of the COVID-19 pandemic, they seem to lag non-family-owned peers on several ESG-related factors, most noticeably human rights and modern slavery-related policies.

The Credit Suisse HOLT® database provides us with calculations for more than 20,000 companies globally regarding their cash flow returns, earnings revisions and share-price changes. Using these so-called quality and momentum scores as well as the ESG scores for all companies in our Family 1000 database, we can identify which companies rank highest across all three of these metrics. **Table 1** on the previous page shows the top-ranked companies in the USA, Europe and Asia.

About the author

Eugène Klerk is a Managing Director of Credit Suisse in the Securities Research Division, based in London.

Following a career of more than 20 years in investment banking, fund management and research, he is currently responsible for Credit Suisse's Global ESG research product. Prior to this, Eugene was responsible for the firm's Global Thematic Research and European Small and Mid-Cap Research. In addition, Eugene is a frequent leading author in a range of publications from the Credit Suisse Research Institute.

Prior to his current roles, Eugene was an emerging markets analyst with a focus on fixed income and credit as well as on equities. During this period, Eugene frequently received top rankings from several surveys on his broader equity research product as well as his work as emerging markets telecom analyst. Eugene was responsible for Credit Suisse's Emerging Markets Research in London before he joined Volteq Capital as CIO in 2004. In 2009, he rejoined Credit Suisse. Eugene graduated from Twente University with a Masters in Applied Mathematics.

Contributors:
Akanksha Kharbanda
Amit Phillips

General disclaimer / important information

The information provided herein constitutes marketing material. It is not investment advice or otherwise based on a consideration of the personal circumstances of the addressee nor is it the result of objective or independent research. The information provided herein is not legally binding and it does not constitute an offer or invitation to enter into any type of financial transaction. The information provided herein was produced by Credit Suisse Group AG and/or its affiliates (hereafter "CS") with the greatest of care and to the best of its knowledge and belief. The information and views expressed herein are those of CS at the time of writing and are subject to change at any time without notice. They are derived from sources believed to be reliable.

CS provides no guarantee with regard to the content and completeness of the information and where legally possible does not accept any liability for losses that might arise from making use of the information. If nothing is indicated to the contrary, all figures are unaudited. If nothing is indicated to the contrary, all figures are unaudited. To the extent this document contains statements about future performance, such statements are forward looking and subject to a number of risks and uncertainties predictions, forecasts, projections and other outcomes described or implied in forward-looking statements may not be achieved. Past performance, simulations and forecasts are not a reliable indication of future performance. Significant losses are always possible. The information provided herein is for the exclusive use of the recipient. It may not be reproduced, neither in part nor in full, without the written permission of CS.

This document is issued and distributed in the **European Union (except Germany)**: by Credit Suisse (UK) Limited and Credit Suisse Securities (Europe) Limited. Credit Suisse Securities (Europe) Limited and Credit Suisse (UK) Limited, both authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, are associated but independent legal entities within Credit Suisse; **Germany**: Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"); **United States and Canada**: Credit Suisse Securities (USA) LLC; **Switzerland**: Credit Suisse AG authorized and regulated by the Swiss Financial Market Supervisory Authority (FINMA); **Brazil**: Banco de Investimentos Credit Suisse (Brasil) S.A or its affiliates; **Mexico**: Banco Credit Suisse (México), S.A. (transactions related to the securities mentioned in this report will only be effected in compliance with applicable regulation); **Japan**: Credit Suisse Securities (Japan) Limited, Financial Instruments Firm, Director-General of Kanto Local Finance Bureau (Kinsho) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association; **Hong Kong SAR, China**: Credit Suisse (Hong Kong) Limited; **Australia**: Credit Suisse Equities (Australia) Limited; **Thailand**: Credit Suisse Securities (Thailand) Limited, regulated by the Office of the Securities and Exchange Commission, Thailand, having registered address at 990 Abdulrahim Place, 27th Floor, Unit 2701, Rama IV Road, Silom, Bangrak, Bangkok 10500, Thailand, Tel. +66 2614 6000; **Malaysia**: Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse AG, Singapore Branch; **India**: Credit Suisse Securities (India) Private Limited (CIN no.U67120MH1996PTC104392) regulated by the Securities and Exchange Board of India as Research Analyst (registration no. INH 000001030) and as Stock Broker (registration no. INB230970637; INF230970637; INB010970631; INF010970631), having registered address at 9th Floor, Ceejay House, Dr. A. B. Road, Worli, Mumbai - 18, India, T- +91-22 6777 3777; **South Korea**: Credit Suisse Securities (Europe) Limited, Seoul Branch; **Taiwan (Chinese Taipei)**: Credit Suisse AG Taipei Securities Branch; **Indonesia**: PT Credit Suisse Securities Indonesia; **Philippines**: Credit Suisse Securities (Philippines) Inc., and elsewhere in the world by the relevant authorized affiliate of the above.

Additional regional disclaimers

Hong Kong SAR, China: Credit Suisse (Hong Kong) Limited ("CSHK") is licensed and regulated by the Securities and Futures Commission of Hong Kong under the laws of Hong Kong SAR, China, which differ from Australian laws. CSHKL does not hold an Australian financial services license (AFSL) and is exempt from the requirement to hold an AFSL under the Corporations Act 2001 (the Act) under Class Order 03/1103 published by the ASIC in respect of financial services provided to Australian wholesale clients (within the meaning of section 761G of the Act). **Singapore**: This report has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (each as defined under the Financial Advisers Regulations) only, and is also distributed by Credit

Suisse AG, Singapore branch to overseas investors (as defined under the Financial Advisers Regulations). By virtue of your status as an institutional investor, accredited investor, expert investor or overseas investor, Credit Suisse AG, Singapore branch is exempted from complying with certain compliance requirements under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"), the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder, in respect of any financial advisory service which Credit Suisse AG, Singapore branch may provide to you. **UAE**: This information is being distributed by Credit Suisse AG (DIFC Branch), duly licensed and regulated by the Dubai Financial Services Authority ("DFSA"). Related financial services or products are only made available to Professional Clients or Market Counterparties, as defined by the DFSA, and are not intended for any other persons. Credit Suisse AG (DIFC Branch) is located on Level 9 East, The Gate Building, DIFC, Dubai, United Arab Emirates. **Qatar**: This information has been distributed by Credit Suisse (Qatar) L.L.C., which is duly authorized and regulated by the Qatar Financial Centre Regulatory Authority (QFCRA) under QFC License No. 00005. All related financial products or services will only be available to Eligible Counterparties (as defined by the QFCRA) or Business Customers (as defined by the QFCRA), including individuals, who have opted to be classified as a Business Customer, with net assets in excess of QR 4 million, and who have sufficient financial knowledge, experience and understanding to participate in such products and/or services. Therefore this information must not be delivered to, or relied on by, any other type of individual. **Saudi Arabia**: This document is being distributed by Credit Suisse Saudi Arabia (CR Number 1010228645), duly licensed and regulated by the Saudi Arabian Capital Market Authority pursuant to License Number 08104-37 dated 23/03/1429H corresponding to 21/03/2008AD. Credit Suisse Saudi Arabia's principal place of business is at King Fahad Road, Hay Al Mhamadiya, 12361-6858 Riyadh, Saudi Arabia. Website: www.credit-suisse.sa. Under the Rules on the Offer of Securities and Continuing Obligations "this document may not be distributed in the Kingdom except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial advisor." Under the Investment Funds Regulations "this document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Fund Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document you should consult an authorised financial adviser. **Bahrain**: This material is distributed by Credit Suisse AG, Bahrain Branch, authorized and regulated by the Central Bank of Bahrain (CBB) as an Investment Business Firm Category 2. Related financial services or products are only made available to professional clients and Accredited Investors, as defined by the CBB, and are not intended for any other persons. The Central Bank of Bahrain has not reviewed, nor has it approved, this document or the marketing of any investment vehicle referred to herein in the Kingdom of Bahrain and is not responsible for the performance of any such investment vehicle. Credit Suisse AG, Foreign Branch, a branch of Credit Suisse AG, Zurich/Switzerland, is located at Level 21, East Tower, Bahrain World Trade Centre, Manama, Kingdom of Bahrain. **USA**: This material is issued and distributed in the USA by CSSU, a member of NYSE, FINRA, SIPC and the NFA, and CSSU accepts responsibility for its contents. Clients should contact analysts and execute transactions through a Credit Suisse subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise. **Canada**: Where non-Canadian CS entities distribute marketing materials into Canada, there are no specific Canadian disclaimers required for general marketing materials. That said, we encourage regions to use the following disclaimer (which references requirements of the IDE referenced above) if they intend to send materials into Canada under the IDE/IAE/IFM. **IMPORTANT INFORMATION for distributions by Credit Suisse (UK)**: The protections made available by the Financial Conduct Authority and/or the Prudential

Regulation Authority for retail clients do not apply to investments or services provided by a person outside the UK, nor will the Financial Services Compensation Scheme be available if the issuer of the investment fails to meet its obligations. To the extent communicated in the United Kingdom ("UK") or capable of having an effect in the UK, this document constitutes a financial promotion which has been approved by Credit Suisse (UK) Limited which is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority for the conduct of investment business in the UK. The registered address of Credit Suisse (UK) Limited is Five Cabot Square, London, E14 4QR. Please note that the rules under the UK's Financial Services and Markets Act 2000 relating to the protection of retail clients will not be applicable to you and that any potential compensation made available to "eligible claimants" under the UK's Financial Services Compensation Scheme will also not be available to you. Tax treatment depends on the individual circumstances of each client and may be subject to changes in future. This document is provided to you for your information and discussion only. It is not a solicitation or an offer to buy or sell any security or other financial instrument. Any information including facts, opinions or quotations, may be condensed or summarized and is expressed as of the date of writing. The information may change without notice and Credit Suisse (UK) Limited ("Credit Suisse") is under no obligation to ensure that such updates are brought to your attention. The price and value of investments mentioned and any income that might accrue could fall or rise or fluctuate. Past performance is not a guide to future performance. If an investment is denominated in a currency other than your base currency consult with such advisor(s) as you consider necessary to assist you in making these determinations. Nothing in this document constitutes legal, accounting or tax advice. Credit Suisse does not advise on the tax consequences of investments and you are advised to contact a tax advisor should you have any questions in this regard. The levels and basis of taxation are dependent on individual circumstances and are subject to change. **Germany**: The information and views expressed herein are those of CS at the time of writing and are subject to change at any time without notice. They are derived from sources believed to be reliable. CS provides no guarantee with regard to the content and completeness of the information. I f nothing is indicated to the contrary, all figures are unaudited. The information provided herein is for the exclusive use of the recipient.

Also published by the Research Institute

Healthcare transformation
June 2019

The CS Gender 3000 in 2019
The changing face of companies
October 2019

Global wealth report 2019
October 2019

Rethinking retirement
Davos edition
January 2020

Water scarcity: Addressing the key challenges
Davos edition
January 2020

Summary Edition
Global Investment Returns Yearbook 2020
February 2020

Credit Suisse Research Institute
research.institute@credit-suisse.com
credit-suisse.com/researchinstitute