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ESG scores: Family businesses are unfairly penalized

Listed family firms often receive lower ESG-scores than other companies, complains portfolio manager Hans Peter Schupp. He argues: When an owner's family controls a company, it's actually good for sustainability.



Has Peter Schupp, Fidecum: "Sustainability is a high priority topic in family owned businesses"

Family-run companies often receive lower ratings in ESG ratings, observes Hans Peter Schupp, board member and portfolio manager at Bad Homburg-based fund boutique Fidecum. In his opinion, however, this does not do them justice. According to Schupp, the reason for the often poor performance is primarily the G for "governance" in the ESG concept. Critics often accuse family businesses of too little transparency and too little influence of external stakeholders.

Schupp counters this: If, for example, family members who have previously managed the company often sit on the supervisory board of medium-sized companies, this could also be an advantage for corporate governance. The supervisory board would then not consist of external controllers, but of people who critically accompany the management, says Schupp.

Such supervisory boards could be "constructive sparring partners for the management. Otherwise, with regard to ESG ratings, "The topic of sustainability is particularly important

In family-owned companies," says Schupp. After all, owner families are typically oriented toward long-term and continuous value development.

Families are more consistent and persistent

He points to a study by Crédit-Suisse-Research from 2020: according to this, the average ESG scores of family businesses increased significantly more than those of other companies between 2014 and 2019. Drivers were primarily environmental issues and social issues, says Schupp. When owner families call the shots, he sees that as a positive factor: "Because families have the staying power to also see these processes through to full implementation."
(fp)

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