

Guide to ESG Strategy for SMEs and Family Businesses

Kellerhals Carrard Sustainability & ESG desk

Benefits of a robust ESG Strategy

In an evolving business landscape, marked by increased social responsibility and environmental consciousness, ESG (Environmental, Social, and Governance) strategies are no longer optional, even for Small and Medium-sized Enterprises (“SMEs”) and family businesses. A well-integrated **ESG strategy** provides a roadmap for ethical conduct, sustainable growth, and value creation, thereby differentiating businesses in competitive markets. Our experts at Kellerhals Carrard ESG & Sustainability Desk are here to accompany you to embrace ESG to improve the future of your business.

What is ESG?

ESG is a set of criteria used to assess a company’s performance and impact on the Environment (“E”), Society (“S”), and corporate Governance (“G”). The ESG classification provides an easily accessible approach, as it offers a logical and clear distinction between the three key drivers of sustainability: Planet, People, and Profits.



Environment (planet)

Natural Capital

- Energy usage & efficiency
- Waste reduction
- Greenhouse gas emissions
- Carbon footprint reduction
- Biodiversity loss
- Climate change strategy

> **Circular Economy**



Social (people)

Human Capital

- Fair pay & living wages
- Inclusion, diversity & equality
- Workplace health & safety
- Human rights & child labour
- Procurement & supply chain
- Social & political dialogue

> **Lasting Partnerships**



Governance (profits)

Financial Capital

- Corporate culture & purpose
- Compliance & risk management
- Business ethics & integrity
- Conflict of interest & independence
- Financial & ESG reporting
- Stakeholders commitments

> **Sustainable Governance**

Why an ESG Strategy?

For a long time, ESG was predominantly perceived as the realm of large, financially successful companies – more of a “nice-to-have” rather than a necessity. However, this is no longer the case. Increasingly, the line between moral responsibility and legal obligation is blurring as ESG principles become embedded in binding laws. Today, even SMEs must recognize that a robust approach to ESG is not just ethically sound, but a legal and business imperative.

Yet, contrary to popular belief, ESG is not a burden and can be transformed from a mere obligation to an unparalleled advantage. For SMEs, adopting ESG isn’t just about compliance – it’s an opportunity to stand out and propel your business forward in a sustainable way and create sustainable value.

*As one of Switzerland’s thought leaders in ESG matters, we can offer comprehensive advice on the full range of ESG related matters. We don’t just stop at the corporate governance – **we are equally strong in all areas of ESG.***

From critically reviewing your existing ESG strategy to spotlighting opportunities and assessing and mitigating risks, we’ve got your business covered with our comprehensive suite of services. Stay ahead of the curve with our targeted approach and make your sustainability goals a business advantage

Benefits Accruing from a Robust ESG Strategy

Financial Resilience

Reputation & Trust

Socially and environmentally responsible companies enjoy a significant improvement in brand image. This fosters greater trust among stakeholders, making it easier to attract and retain top talent, build customer loyalty, and establish stronger relationships with investors and suppliers who share similar values.

Cost Savings

A focus on environmental sustainability can result in reduced energy costs and less waste, leading to operational savings and resource optimization. These sustainable practices lead to significant, long-term operational cost savings and resource optimization.

Access to Capital

ESG-focused companies are becoming more attractive to individual and institutional investors and debtors, notably banks and credit institutions, which increasingly prioritize sustainable and ethical business practices. Statistically, ESG-compliant companies have lower financing costs than their peers.

Operational Excellence

Risk Mitigation

Proactive ESG management enhances risk identification and mitigation, reducing legal and reputational vulnerabilities related to labor relations, environmental stewardship, and corporate governance. In this manner, a strategic approach to ESG can serve as a safeguard against emergent challenges and new liabilities.

Supply Chain Security

Compliance with ESG standards not only strengthens ties with suppliers who align with similar ethical and sustainability goals, thereby enhancing supply chain resilience, but also positions SMEs favorably within the supply chains of larger corporations that mandate ESG adherence as a prerequisite for procurement and contractual engagements.

Employee Satisfaction

Employees today seek more than a paycheck; they look for purpose. Implementing a robust ESG strategy not only resonates with these values but also enhances employee retention and boosts productivity. This creates a more motivated workforce committed to the company's long-term success.

For companies new to the sustainability journey, the rapidly changing ESG landscape can be overwhelming. The vast array of guidelines, frameworks, and the complex interplay among them can be confusing and hinder the first steps toward sustainability.

*This is where the expertise of **Kellerhals Carrard's ESG Desk** can make a difference. We provide targeted and specialized guidance to help you navigate these complexities. Our focus is on helping you in the successful integration of ESG and sustainability elements into your core business strategy, elevating your ESG performance, and effectively relaying your sustainability milestones to all relevant stakeholders.*

Market Differentiation

Consumer Appeal

The modern consumer values social responsibility, and that trend is set to develop further in the coming years. An ESG strategy can serve as a market differentiator, enhancing brand reputation and customer loyalty. Companies that have been proactive in this area for a long time will benefit from their long-standing commitment.

Competitive Advantage

In competitive markets, a robust commitment to ESG standards serves as a strategic differentiator that can confer a tangible competitive advantage to your business. By adhering to ESG principles, companies can not only appeal to a select group of consumers and investors but also gain access to new market segments, beneficial partnerships, and business opportunities (new products, services, technologies, etc.).

Governance and Succession Planning

Transparency & Accountability

Implementing ESG strategies in SMEs enhances governance by promoting greater transparency and accountability. In the context of SMEs and family-run firms, where governance can often be closely held and informal, ESG frameworks offer a practical way to build trust among stakeholders without necessarily adding bureaucratic complexity.

Long-term Focus

ESG strategies emphasize long-term sustainability and instill the business with a sense of purpose and value. This approach can be especially compelling for the younger generation, enhancing the appeal of taking over even traditional SMEs and family businesses. This aligns well with the necessity for thoughtful and effective succession planning.

Takeaway

There's no doubt that most SMEs already behave in a socially responsible manner, particularly in Switzerland. This goes some way to explaining the long-term robustness of our country's social, economic and political fabric. This culture of sustainable development and ethical enterprise is an integral part of the "Swiss social contract".

While implementing an ESG strategy requires investment in terms of time, resources, and sometimes capital, the long-term benefits far outweigh the costs. For SMEs and family businesses, the advantages of financial resilience, operational excellence, and social impact are not just theoretical; they directly contribute to the bottom line while fortifying the business for future generations.

ESG is an ongoing journey rather than a one-time achievement. Take the first step by reaching out to an expert at Kellerhals Carrard's ESG Desk!

Kellerhals Carrard. Lawyers in charge.