

A joint publication of UBS Family Office Solutions and Agreus

Family Enterprise Governance Report

Insights into effective
governance practices

AGREUS®



We are proud to present the *Family Enterprise Governance Report*—a collaboration between UBS Family Office Solutions and Agreus. Based on insights from 106 family office participants, this unique study examines governance across the full scope of a family’s enterprise, which encompasses the family, trustees, family office, investment program, business, philanthropy and family bank.

Governance and human capital: the people behind the policies

This report sheds light on prevailing governance practices—frameworks, structures, practices and policies—that help guide complex family enterprises. While these tools are essential, they are not sufficient on their own. Governance is not just a set of documents or organizational charts—it’s the people who bring these structures to life.

Ultimately, human capital is what drives outcomes. Governance becomes effective when people actively shape it through thoughtful collaboration, clear roles, and intentional practices. It’s not just about having the right structures in place; it’s about how people engage with those structures to achieve meaningful results across the family enterprise.



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Serving global families
and family offices

Both UBS and Agreus are intimately involved with wealth-owning families across the globe. We regularly advise on governance best practices, including structures, behaviors, practices and objectives. We also advise on the human capital that will comprise these governance bodies.

About UBS Family Office Solutions

Family Office Solutions works with the world’s most sophisticated families and family offices to deliver institutional-grade guidance across every dimension of significant wealth. Our team brings deep expertise in family enterprise strategy, governance, advanced planning, investment access and complex cross-border considerations. The team also offers specialized capabilities such as Art Advisory and Consolidated Performance Reporting to help families manage unique assets, gain clarity across their portfolios and make informed decisions. By integrating in-depth knowledge from across the UBS ecosystem, we empower families to navigate complexity, preserve continuity and pursue opportunity with purpose and precision.

<https://ubs.com/familyofficesolutions>

About Agreus

Agreus Group is a full-service consultancy dedicated to working with Family Offices worldwide. We provide bespoke, tailored solutions to adapt to your Family Office’s needs. Our expertise spans recruitment and compensation, from entry-level to executive roles across investments, legal, finance and operations. Given their interdependence, our expertise also extends to family office governance and strategy consulting. We offer guidance through every stage, from early or embedded entities to established multi-generational families. Our experience has given us unique access to primary data and intelligence and enabled us to be an authoritative voice within the family office space.

www.agreusgroup.com

What drives effective governance?

Families that rated their governance as effective shared a common theme: they invested in time, people and purpose. These families were deliberate in choosing individuals—both from within and outside the family—who could contribute to long-term decision-making. They were intentional about creating governance practices that do more than just check a box.

It’s not one practice alone that drives improvement. Rather, it’s a comprehensive, consistent, and evolving total approach—applied over time—that moves the needle. Effective governance is rooted in a family’s total commitment to doing the work, together. To keep improving, knowing they must keep evolving.

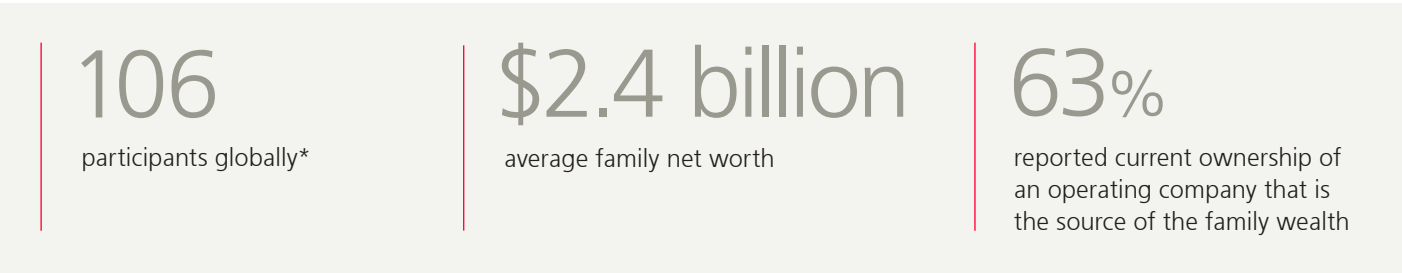
A call-to-action for family offices

For families with complex enterprises—spanning business, investments, philanthropy, and more—the time and effort required to implement thoughtful governance can be substantial. This is where the family office plays a critical role.

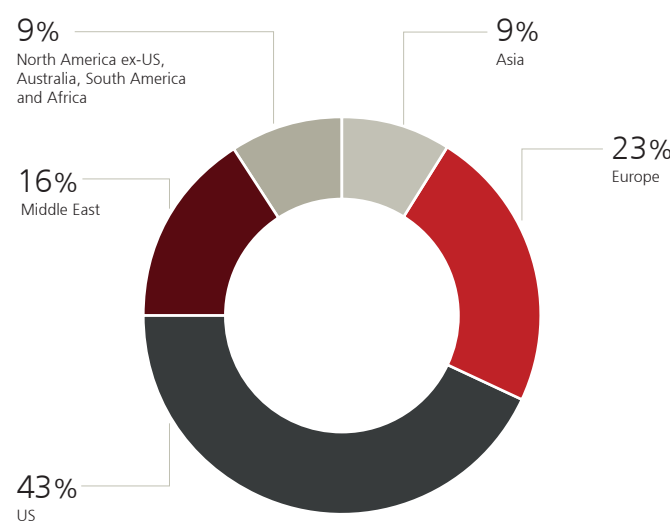
The family office is uniquely positioned at the intersection of the family’s key activities and relationships. As such, it must take ownership of the family’s governance journey. More than just an administrative hub, the family office can—and should—serve as a strategic partner in shaping and sustaining governance practices.

This report is more than a snapshot of current governance trends. It is a call-to-action: for family offices to fully step into their role as a driving force in advancing family enterprise outcomes, standing shoulder to shoulder with the family itself.

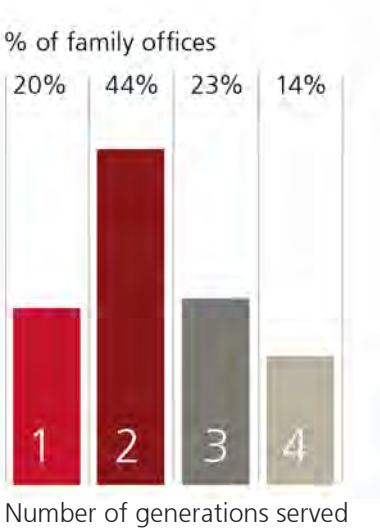
About the survey



Participant global footprint



Generations served by the family office



* Please note that while the sample sizes for some of the data points are small, they are still insightful.

What is enterprise governance?

Enterprise governance encompasses the systems, processes, practices, rules, and policies through which families direct, control, and oversee decision-makers and stakeholders, as well as manage shared assets and resources. The purpose of enterprise governance is not merely for the sake of governance, but to achieve outcomes.

Nothing exists in isolation

A holistic examination of the family enterprise, rather than isolating individual components like the family business or investment portfolios, is crucial because these entities and assets are interconnected and impact each other. While legally distinct, each part of the enterprise is inextricably linked. Decisions in one area, such as the family business, can significantly influence other parts of a family’s enterprise, such as the family investment portfolio or philanthropic initiatives. Moreover, while these assets and resources are legally separate, they are linked by a common thread—the family.

However, there are multiple governance models, owners, assets, resources, entities, rights and obligations across the family enterprise. So, the governance model for each part of the enterprise must match the asset or organization and be fit for purpose.

For example, *business governance* is focused on control and ownership of an active operating company, whereas family *investment governance* is often focused on separate family investments across a broad range of diverse asset classes and strategies. For family investors, there is not a single operating company to focus on: there are several family investors, if not dozens (both individuals, but more often, trusts) that have their own governance mechanisms. This dynamic can make it a challenge to have a single investment governance framework for a family.

The family office, which is not an asset, but a resource, directs, manages and coordinates investment management and other professional services such as accounting, legal and tax advisory, and administrative services.

Family enterprise governance is not institutional governance

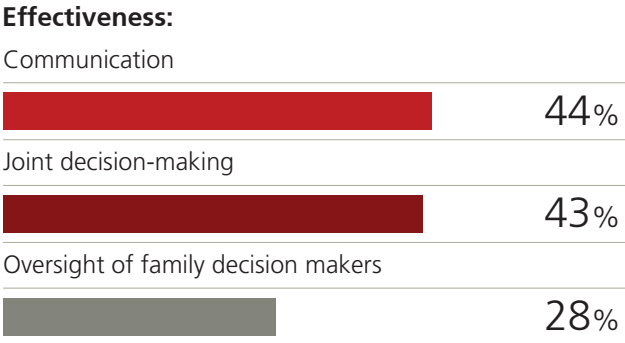
In contrast to institutional or non-family governance, such as that of college endowment committees or public company boards, family enterprise governance encompasses a broader spectrum of purposes, roles and responsibilities. First, family enterprise governance comprises family ownership, as opposed to a broader non-family ownership base. So, many of the boards and committees will be comprised of family members. The enterprise often has several purposes, which include not only growing the business and investment portfolio, but also serving the family and their disparate needs.

Often, the family needs a flexible, yet adaptive governance framework, as opposed to a more rigid institutional-like governance framework. Governance often serves as a platform for the next generation to collaborate and learn—not only acquiring technical expertise, but also understanding how decisions are made. Opportunities like serving on investment committees or participating in the development of investment policy statements can be invaluable in preparing family members for the future.

Enterprise governance becomes necessary as families mature

Change is constant—for families, their enterprises and the world around them. While governance is often thought of as simply structures and policies, it is ultimately about relationships. When it comes to the Great Wealth Transfer, it is relationships that are being transferred, not just numbers on a balance sheet. Over time, those assets and resources—the businesses, investment portfolios, trust structures and philanthropic objectives—become shared and fractionalized across an ever-growing family, which often happens to be dispersed across jurisdictions, time zones and continents.

Measuring family enterprise governance effectiveness



- Respondents indicated whether their family enterprise governance was effective in the following areas:
- **Communication**—key to any and all governance frameworks, processes and mechanisms.
 - **Joint decision-making**—while not defined in the survey, joint decision-making refers to a process whereby family stakeholders collaboratively engage in discussions to ensure choices being made about the family business, assets and other shared interests are thoughtfully made.
 - **Oversight of family decision makers**—the process, framework and mechanisms of holding decision makers accountable for the decisions impacting the family enterprise.

Only 44% of respondents indicated their governance was effective at communication, 43% of respondents reported being effective at joint decision-making and 28% of respondents reported their governance was effective at oversight of family decision makers. The results were then applied throughout the report to understand how various governance practices, structures and frameworks were observed to influence whether respondents indicated they were effective.

The data essentially compares the governance effectiveness of those who implement a specific practice or structure against those that do not.

For example, more respondents with a family constitution in place indicated their governance was more effective at communication, joint decision-making and oversight of family decision makers than those who did not have a family constitution in place.

Of course, observations alone do not indicate causation. Just because a family has a family constitution in place does not mean that they will be more effective at communication, joint decision-making or oversight of family decision makers.

The question then becomes, does a family have a family constitution in place because they are already more effective and place a high value on communication, joint decision-making and oversight of family decision makers and is this why they chose to draft a family constitution?

The comparison tables often reflect observations, not causation. Indeed, they are included to illustrate the notion that families that spend time on creating structures and adopting practices to improve and provide decision-making frameworks also have enhanced effectiveness across communication and other areas, even though the practices or structures are not always relevant or designed to provide that function or improvement.

While we chose not to include comparison tables for every practice or structure which would become unwieldy, we observed that in almost all cases where a practice was implemented, it yielded a positive impact on communication, joint decision-making and oversight.

Key insights

Our study helps identify the practices that lead toward effectiveness in communication, joint decision-making and oversight of family decision makers. Top among these practices include:

Incorporating a family constitution

Compared to families who have not incorporated a family constitution, families that have are:

Over 2x

more likely to rate themselves as having effective communication

1.5x

more effective at joint decision-making

1.5x

more likely to have effective oversight of family decision makers

Engaging in succession planning

Families that engage in succession planning are nearly

4x

more likely to rate their next generation as prepared than those families that do not engage in succession planning

Holding regular, non-financial meetings

Families who hold regular non-financial meetings are

2x

more likely to rate their communication and joint decision-making as effective compared to families that do not hold such meetings.

In terms of other measures, our study reveals important ways that families can enhance the effectiveness of their investment committees and business boards.

Investment committees are:

2.8x

more likely to consider themselves as effective when they have an Investment Policy Statement (IPS) compared to those without one.

2.5x

more likely to rate themselves as effective if they have an annual self-review as compared to those without such a review.

Family business boards are:

2.5x

more likely to rate themselves as effective when they engaged in an annual self-review process compared to those that do not.

2.5x

more likely to consider themselves effective when they engaged a third-party governance consultant than those that never have.

Families with foundations and banks:

50%

of families that have a private foundation have a method for assessing their grantmaking, while only 19% have a plan, strategy or process to incorporate next-generation family members.

59%

the majority of families that have a family bank indicated that it was effective at encouraging entrepreneurship.

Contents

The survey findings and discussion are broken out across seven enterprise components. For each of these, we cover structures, purposes, policies, people and practices—and shed light on “what’s working” for families.



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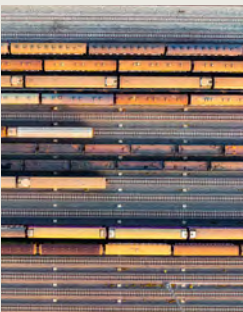
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The family: More than a balance sheet

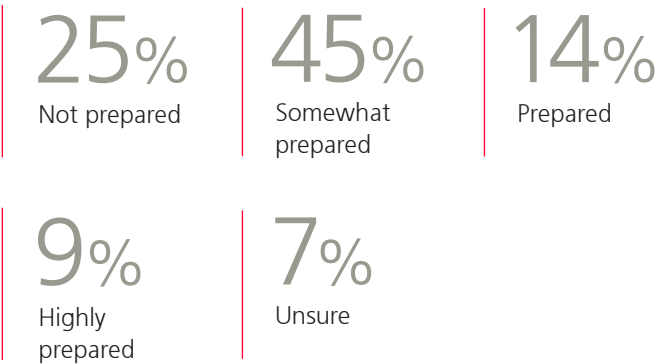
Families are more than their business, investments and wealth. First and foremost, they are a set of relationships. They are husband and wife, mother and father, parent and child, brother and sister, as well as aunts, uncles and cousins. Yet they are also business executives and owners, fiduciaries and beneficiaries.

What is non-financial family governance?

Non-financial family governance is about defining and strengthening a family’s unique identity, values and history through shared practices, behaviors, structures and agreements. The primary goal of non-financial family governance is to foster a strong and enduring family unit that is cohesive, rather than solely focusing on financial wealth.

These practices are foundational and often a necessary precursor to formal business or investment governance. A family that prioritizes its own well-being is more likely to have a resilient and effective framework for managing and directing the family enterprise.

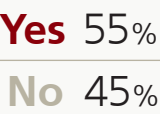
Is the next generation prepared to manage family wealth?



For purposes of reflecting preparedness comparisons in the report across various practices and structures, we combined “prepared” and “highly prepared” data and only used that data to simplify the comparisons.

Succession planning

Does the family engage in succession planning to help prepare family members to be leaders across the family enterprise?



Effectiveness comparison

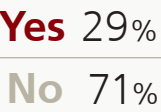
| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 55% |
| No | 30% |
| Joint decision-making | |
| Yes | 48% |
| No | 36% |
| Oversight of family decision makers | |
| Yes | 33% |
| No | 21% |
| Preparedness | |
| Yes | 34% |
| No | 9% |

Succession planning was not specifically defined so as to be objective for each family. The key point is that families that do engage in succession planning, whatever form it may take, reported higher ratings across the board, compared to families that do not engage in succession planning.

Policies

Family constitution

Is there a family constitution in place?



Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 73% |
| No | 32% |
| Joint decision-making | |
| Yes | 60% |
| No | 36% |
| Oversight of family decision makers | |
| Yes | 37% |
| No | 24% |
| Preparedness | |
| Yes | 27% |
| No | 21% |

A family constitution serves very much like a playbook for the family it serves. In essence, it should be the starting point that transforms a collection of individuals bound by inheritance into a cohesive, purpose-driven partnership, ensuring that both harmony and prosperity endure through generations.

Families that dedicate the time and resources to develop a family constitution are likely to approach their enterprise governance and practices with significantly more intentionality and purpose than those who do not.

Practices

Regular non-financial meetings

Beyond financial matters, some families are choosing to hold dedicated meetings to bond and discuss matters pertaining to the family. These non-financial gatherings offer a structured space for open communication, aiming to reduce potential conflicts and foster shared understanding. Families can utilize these meetings to share stories that highlight their common history. This approach shifts the focus squarely onto the family unit, ensuring individual members are central to the conversation—unlike discussions about business or investments, which can often leave some individuals feeling marginalized.

Does the family engage in regular, non-financial meetings?



Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 60% |
| No | 32% |
| Joint decision-making | |
| Yes | 58% |
| No | 32% |
| Oversight of family decision makers | |
| Yes | 31% |
| No | 25% |
| Preparedness | |
| Yes | 29% |
| No | 18% |

Regular, non-financial family meetings are associated with improved performance across multiple indicators. Families that prioritize intentional communication and dedicated time together are more likely to experience enhanced outcomes across a broad spectrum of family life.

Who can attend family non-financial meetings?

| | |
|---|-----|
| Multiple generations | 47% |
| Any family member over a specific age | 38% |
| Only one person from each family branch | 13% |
| Anyone in the family | 11% |
| Other | 11% |

Respondents were able to check multiple options. So, 11% of respondents include anyone in the family in non-financial meetings and/or have “other” as listed.

Family newsletter

A family newsletter can serve as a comprehensive resource for sharing pertinent family information. Distributed via e-mail or traditional mail, it provides timely updates on major life events, including birthdays, professional advancements, educational accomplishments, marriages, changes of residence, important family business information, and updates on family philanthropy or charitable projects.

Does the family distribute a family newsletter?

Yes 12%
No 88%

Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 44% |
| No | 44% |
| Joint decision-making | |
| Yes | 56% |
| No | 40% |
| Oversight of family decision makers | |
| Yes | 28% |
| No | 26% |
| Preparedness | |
| Yes | 31% |
| No | 21% |

Family retreat

More than just a getaway, a family retreat is a thoughtfully designed, multi-day experience that fosters deeper connection and alignment among family members. Through a carefully balanced agenda of structured discussions on shared interests (e.g., business ventures, investment strategies and philanthropic goals) and opportunities for unstructured bonding time, these retreats create a unique environment for meaningful conversations.

Does the family hold an annual family retreat?

Yes 26%
No 74%

Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 62% |
| No | 35% |
| Joint decision-making | |
| Yes | 44% |
| No | 42% |
| Oversight of family decision makers | |
| Yes | 24% |
| No | 23% |
| Preparedness | |
| Yes | 35% |
| No | 17% |

29%
of families do not engage in non-financial meetings, newsletters or annual family retreats

Effectiveness with no engagement

| | |
|-------------------------------------|-----|
| Communication | |
| | 24% |
| Joint decision-making | |
| | 29% |
| Oversight of family decision makers | |
| | 21% |
| Preparedness | |
| | 18% |

Compared to families who do hold non-financial family meetings, distribute a newsletter and/or have annual family retreats, families that do none of these activities do not rate themselves as effective as often as those who engage in these practices.

Third-party family governance consultant

A family governance consultant facilitates meaningful, non-financial conversations among family members. They serve as a neutral party to guide discussions, fostering greater cohesion and helping families navigate complex challenges effectively.

Has the family engaged a third-party family governance or advisory consultant?

Yes 23%
No 77%

Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 50% |
| No | 42% |
| Joint decision-making | |
| Yes | 54% |
| No | 40% |
| Oversight of family decision makers | |
| Yes | 33% |
| No | 31% |



Section 2

Trustee: The ultimate authority

Wealthy families frequently use trusts as a key strategy for managing their assets. A trust creates a legal relationship between a grantor (who sets up the trust), a trustee (who holds legal title and manages the assets), and the beneficiaries (who benefit from the trust assets). The trustee operates under a fiduciary duty, meaning they must act in the best interests of the beneficiaries according to the trust's terms and applicable laws.

Trust law and the options available for trustees can vary by jurisdiction. Trustees have considerable authority and discretion in managing trust assets and distributing funds to beneficiaries. This makes selecting a trustee a crucial decision.

Grantors have several options for trustees, including:

- Individuals (family members, trusted advisors)
- Institutional fiduciaries (banks or trust companies)
- Specialized private family trust companies

A single trust can also have multiple trustees serving concurrently. Choosing the right trustee is paramount for ensuring the effective administration and long-term success of the trust.

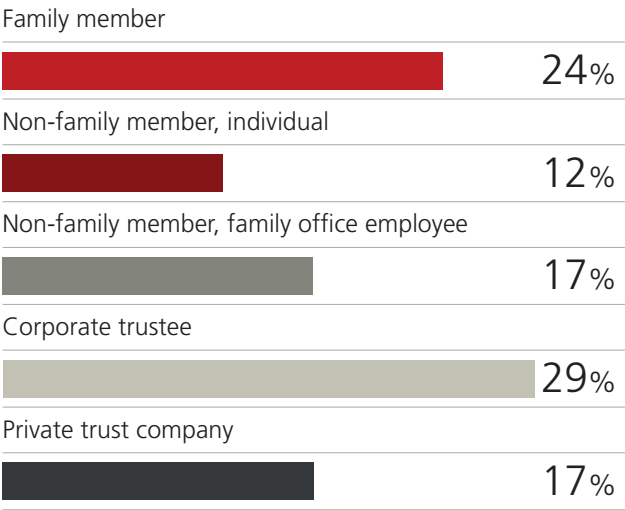
Note: Not all respondents reside or operate in jurisdictions where it is possible or advantageous to have a trust in place.

Note: Modern directed trusts unbundle a trustee's duties into separate roles—often leaving the trustee primarily administrative while assigning investment and enterprise oversight to directors—shifting the challenge from who holds the power to how well those critical roles are defined and filled.

Finding the right trustee

Choosing the right trustee is paramount for ensuring the effective administration and long-term success of the trust.

Prevalent trustee arrangements



Are trustees who are non-family members and non-family office employees compensated?

Yes 63%
No 37%

Trustee discretion

Trustees have considerable authority and discretion in managing trust assets and distributing funds to beneficiaries—another reason selecting a trustee is a crucial decision.

Link between communication and effectiveness

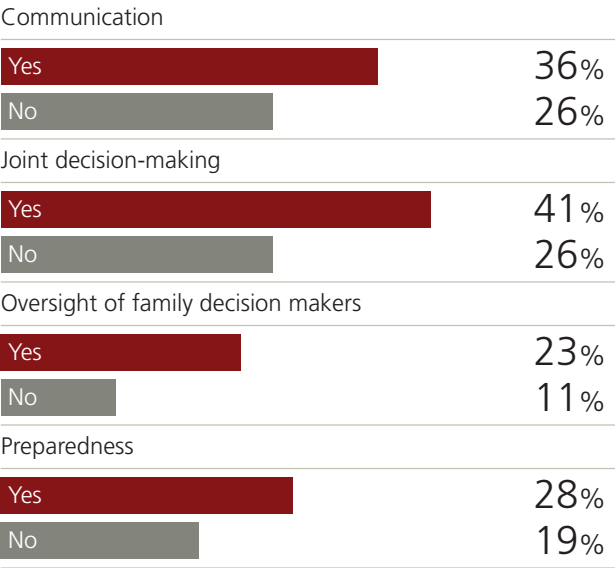
Those trustees and beneficiaries who have regular communication are more likely to have family enterprise governance that has higher effectiveness across communication, joint decision-making and oversight of family decision makers. The question of course is, do these families have more effective decision making because they are more highly communicative or are they more highly communicative because they have more effective governance overall?

Trustee and beneficiary communication

Does the trustee have regular communication with the beneficiary?

Yes 65%
No 35%

Effectiveness comparison





Family office entity governance

Structure

A family office here is defined as an entity that is wholly owned by the family and exists to serve family only and not non-family members. The family office is a service organization and is not a capital owner. The family investors are the capital owners and the family office serves the family and family capital owners.

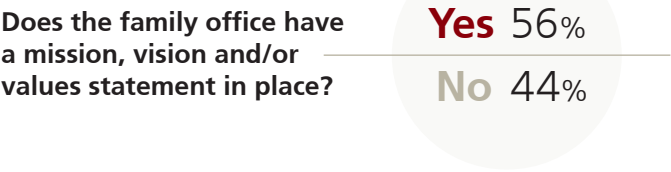
What is family office entity governance?

Family office entity governance centers on crucial decisions such as executive hiring, budget allocation and strategic direction. This critical planning dictates the necessary resources and infrastructure investments, including personnel and technology. While distinct, family office entity governance is closely intertwined with investment governance due to the office's oversight of family investments.

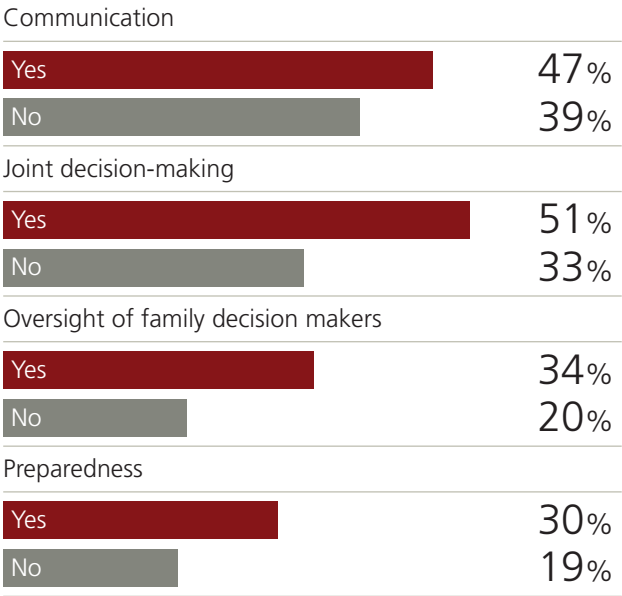
Distinct but interrelated

Family office entity governance is closely intertwined with investment governance due to the office's oversight of family investments.

Purpose



Effectiveness comparison

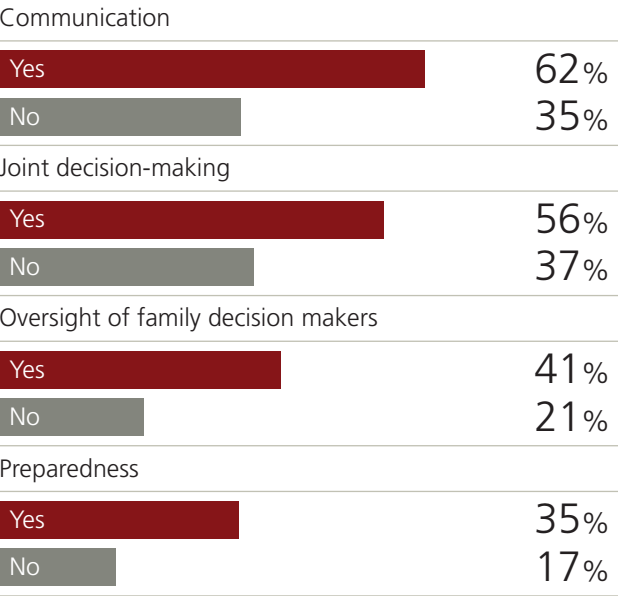


Family office council

Often a handful of family members oversee the family office, including major hiring, budget and engaging external service providers.

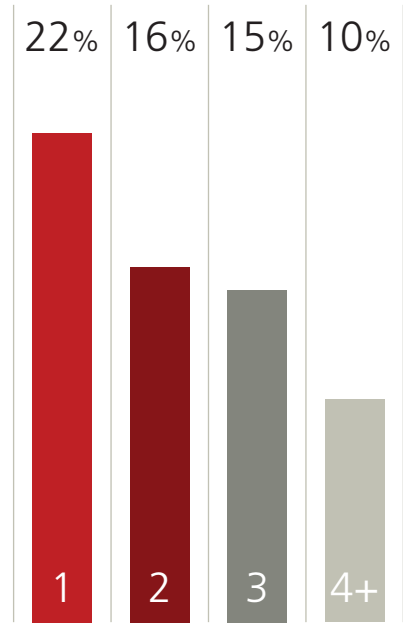


Effectiveness comparison



People and policies

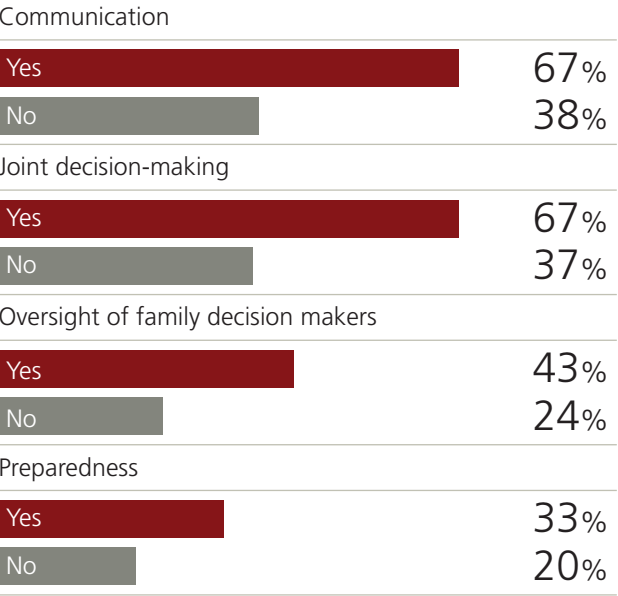
As a service firm, the family office is comprised of professionals across various functions such as investment, accounting, tax and legal. The employees can include both family members and non-family members.



Family members employed



Effectiveness comparison

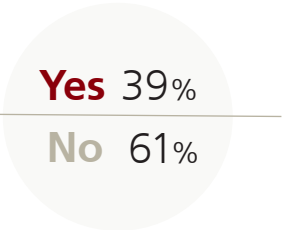


Practices

Family office review process

Family offices often seek to gain feedback from the family they serve. This process can be done in a variety of ways.

Does the family office have a review process in place to evaluate its overall effectiveness?



Families and their family offices that seek to improve should have an annual review process in place. This is distinct from annual employee performance reviews. Here, reviews are often focused on how the family office overall is carrying out its mandate and serving its family.

Effectiveness comparison

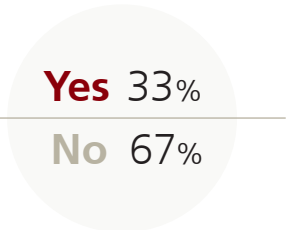
| | | |
|-------------------------------------|--|-----|
| Communication | | |
| Yes | | 47% |
| No | | 33% |
| Joint decision-making | | |
| Yes | | 47% |
| No | | 31% |
| Oversight of family decision makers | | |
| Yes | | 33% |
| No | | 19% |
| Preparedness | | |
| Yes | | 27% |
| No | | 20% |

Succession plan for the family office head

The family office head plays a pivotal role, possessing a deep understanding of the family’s dynamics, values and the intricate technical complexities of the enterprise. This individual cultivates trust and credibility within the family, enhancing confidence in the family office itself.

Their departure would inevitably disrupt operations, diminish the family’s experience and erode trust in the office, which highlights the importance of succession planning. Keep in mind that succession planning can involve next-generation family members, allowing them to opine on what type of family office head they would value.

Does the family office have a succession plan in place for the family office head?



Effectiveness comparison

| | | |
|-------------------------------------|--|-----|
| Communication | | |
| Yes | | 54% |
| No | | 39% |
| Joint decision-making | | |
| Yes | | 37% |
| No | | 46% |
| Oversight of family decision makers | | |
| Yes | | 33% |
| No | | 19% |
| Preparedness | | |
| Yes | | 34% |
| No | | 17% |

Family investment governance: Many investors, many governance frameworks

What is family investment governance?

Family investments comprise all financial assets outside of the family business. Investment governance should ensure that the family's financial capital is aligned with its goals, objectives, values and risk tolerance. Investment governance is necessary to provide a decision-making framework for family stakeholders.

Structure

Many family investors, many preferences

For the purposes of this survey, family investors comprise individuals and various trusts. Navigating family office investments demands a dual approach: harnessing the power of aggregated capital while catering to the unique needs of each family investor. Far from a single pool of assets, family investment capital comprises a mosaic of portfolios, each with its own timeline, tax status, risk appetite and liquidity requirements. Consider the stark contrast between a family investor with a high tolerance for risk and limited need for distributions, versus another with a low-risk profile and significant cash flow demands.

This intricate web of family investor preferences creates substantial challenges for family office operations. It further complicates governance as it is a challenge to have a single and unified investment governance model for a family versus family business governance, which involves a single operating entity or asset.

Family investment governance alignment: Structure, stakeholders, policy and family investors

When families implement investment governance, it is necessary to understand the design and structure of the bodies, entities and family investors which comprise the dynamic. Often the question becomes, who is responsible for what assets or portfolios and how they are organized and aligned across stakeholders and structures to provide effective investment governance?

Alignment must be sought across:

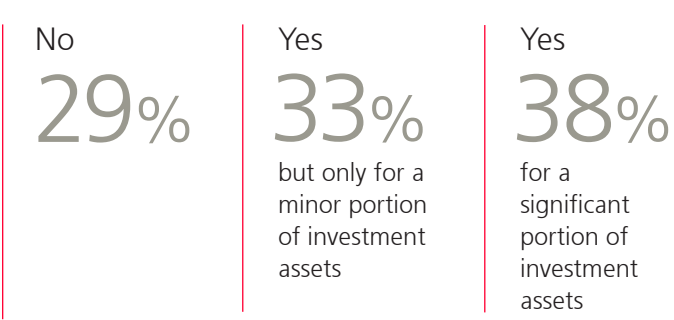
- Family investors
 - Individuals
 - Trusts—trustees and beneficial owners
- Family Investment Partnerships (“FIP”)
- Investment policy statement(s)
 - Who is the family investor?
- Investment committee
 - What assets will they oversee?
 - What is their authority?

For assets held in trust, the trustee often retains authority in choosing the investment allocation. While the trustee may delegate their discretion under certain conditions, such as to an investment committee, they remain accountable and must still monitor the committee's performance and define the scope of that delegation.

Family investment partnerships:
Scale and flexibility

Family offices typically form family investment partnerships (“FIP”) to come together and pool their capital. There are advantages and disadvantages to FIPs. Scale can enhance diversification as more capital allows for more options, considering investment manager minimums and potential fee reductions.

Does the family office use family investment partnerships (FIPs)?



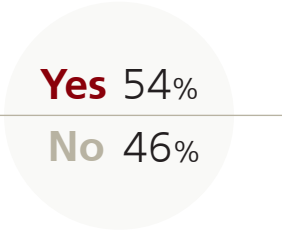
For example, some families form a separate FIP for each separate asset class or investment strategy, while others have a single FIP which includes nearly all family investments. Other families do not use FIPs at all. The dynamic and structure is relevant as families think through what is governed by the investment policy statement and what the family investment committee oversees.

Policies

Investment policy statement

An investment policy statement (“IPS”) is the most critical mechanism of investment governance. It serves as a roadmap and comprehensive guide for the family’s non-business investment portfolio.

Does the family have an investment policy statement in place?



Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 47% |
| No | 40% |
| Joint decision-making | |
| Yes | 42% |
| No | 44% |
| Oversight of family decision makers | |
| Yes | 30% |
| No | 25% |
| Preparedness | |
| Yes | 25% |
| No | 21% |

Global IPS versus individual investor IPS

Of those 54% of families that have an IPS in place, 70% have a global IPS, whereas 30% have an IPS for each family investor. This is often within the context of a large FIP. This is a challenge, as a global IPS does not consider the nuances for each Family Investor.

Does the family have a global IPS or does each family investor have their own IPS?



Family investment committee

A family investment committee (“FIC”) should provide structure, discipline, oversight and accountability to a family’s investment program.

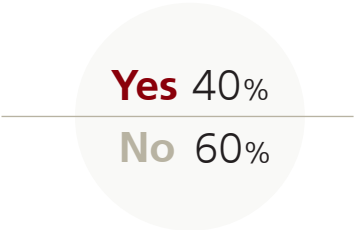


Effectiveness comparison

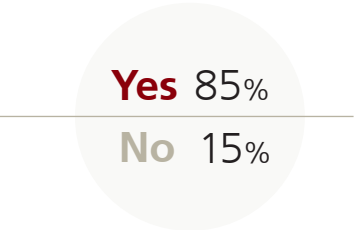
| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 41% |
| No | 49% |
| Joint decision-making | |
| Yes | 45% |
| No | 39% |
| Oversight of family decision makers | |
| Yes | 30% |
| No | 25% |
| Preparedness | |
| Yes | 28% |
| No | 15% |

Purpose

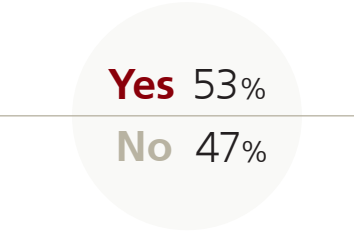
Does the family investment committee (FIC) have a mission, vision and/or values statement in place?



Does the FIC have a charter in place?



Does the FIC have a conflict-of-interest policy in place that members must adhere to?



Decision-making

Does the FIC use an advisory or binding decision-making framework?



FICs operate with either a binding or advisory framework. While binding FICs make definitive investment decisions, advisory FICs make recommendations to the decision makers such as the trustees and can then serve as a collaborative platform. This differs significantly from institutional investment committees, which nearly always have a binding structure and typically manage a single pool of capital.

The collaborative nature of FICs lends them to communication and collaboration, allowing members to discuss strategies and opportunities. Through this collaborative model, each family investor can retain discretion on specific investment decisions and allocations.

Through this model, the FIC can act as a centralized platform, facilitating efficient dialogue and feedback among stakeholders, eliminating the need for repetitive individual conversations with external advisors and family office staff.

This collaborative structure can also mitigate “agreement fatigue” that some families experience at the family business governance level. Yet families can still maintain a collaborative nature without having binding decisions, such as at the family business level.

Each family should determine which structure ideally works for them.

FIC effectiveness

Respondents were asked specifically whether their investment committee was effective at carrying out its defined purpose, role and authority. That data was then applied to the practices, structures and people that are relevant to family investment committees.

Practices

Investment policy statement

Does the FIC have an IPS in place?

Yes 64%
No 36%

FIC effectiveness with IPS

54% Yes
17% No

For families that have an IPS in place, they are 3 times more likely to rate their FIC as being effective versus those that do not have an IPS in place. Families would do well to adopt the practice of providing a framework to guide decisions and hold others accountable based on performance.

FIC meeting frequency

| Frequency | Effectiveness |
|----------------------------|---------------|
| 29% 4 times per year | 75% |
| 49% 5 to 10 times per year | 74% |
| 22% 10+ times per year | 58% |

If the FIC is meeting too frequently, it could suggest that it is being too operational as opposed to just providing oversight. The more an FIC meets, the more pressure it can create to react to market environments, which often does not bode well for investment performance.

People

What is the size of the FIC?

| No. of members | FIC effectiveness |
|-----------------------------|-------------------|
| 56% < 5 members | 65% |
| 42% between 5 and 9 members | 42% |

Note: A single respondent indicated the size of their committee was 10+ members.

Are there family office employees who are non-family members on the FIC?

| | FIC effectiveness |
|-----------|-------------------|
| 87% Yes | 73% |
| 11% No | 50% |
| 2% Unsure | 0% |

Even with a small sample, FICs that included a family office employee were almost 50% more likely to deem themselves effective. This suggests that the non-family family office professionals might be providing a vital and informed voice to the FIC, particularly as many families amassed their wealth outside of the financial markets.

The value of an outsider

Many families find it necessary to retain the services of a non-family member investment professional to serve on the FIC. This professional is valuable because they help families make sense of the investment strategy. This can include enhancing the discussions with both family office staff and third-party investment advisors.

Does the family have external, non-family professionals and non-family office staff on the FIC?

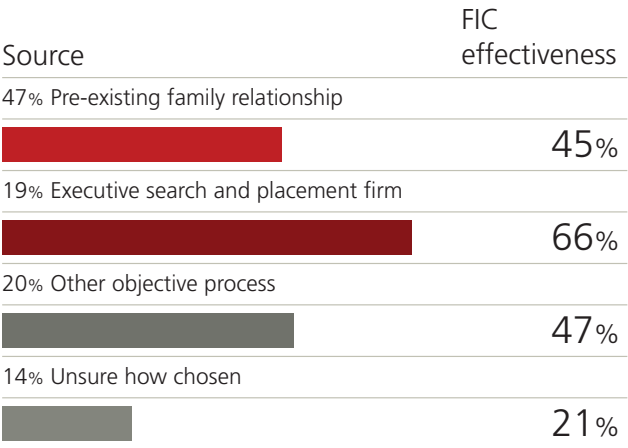
Yes 82%
No 18%

How many external non-family member professionals (who are not FOEs) are on the FIC?

| No. of non-family professionals | FIC effectiveness |
|---|-------------------|
| 22% 1 | 29% |
| 22% 2 | 38% |
| 16% 3 | 63% |
| 10% 4 | 50% |
| 7% 5+ | 57% |
| 23% All family members, no non-family members | 18% |

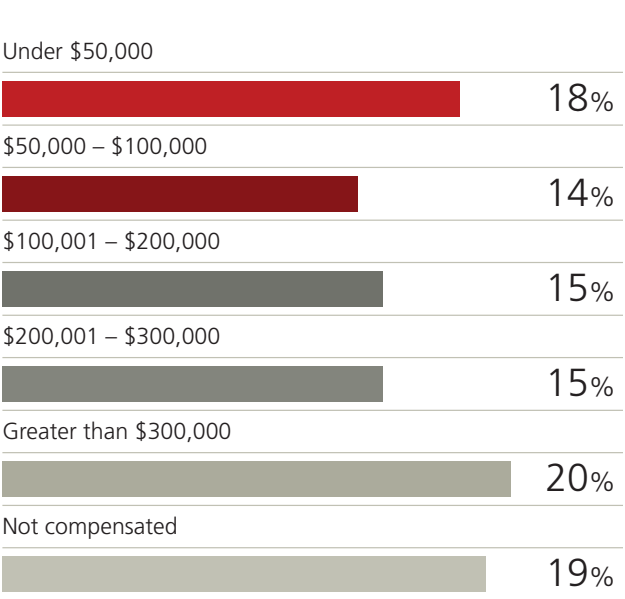
FIC compensation practices

How did the FIC source an independent investment professional who is a non-family and non-family office employee?

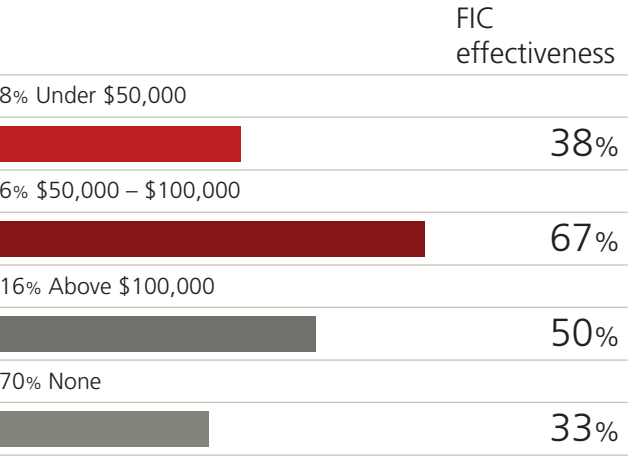


The FICs who sourced the non-family professional through an executive search and placement firm reported FIC effectiveness at nearly 70%—over three times more effective than professionals chosen by other options. Clearly, an FIC who invests in finding the most suitable professional is committed to having a more effective and higher-functioning FIC.

What is the level of compensation for third-party investment professionals?



What is the level of compensation for family member investment committee members?



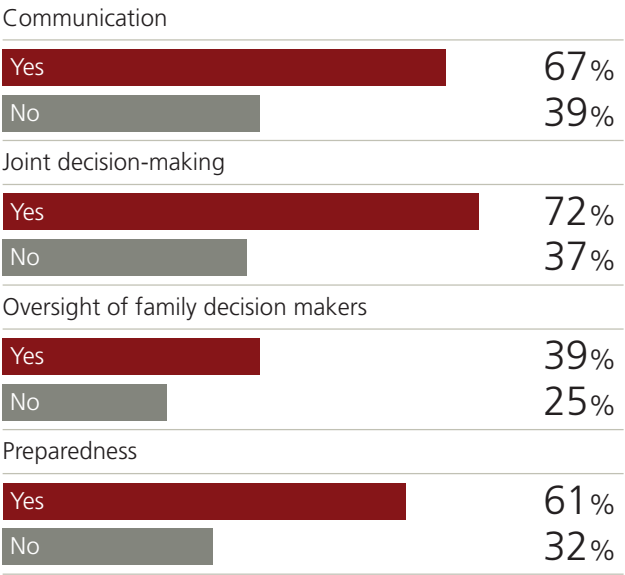
FICs that paid family members more than a nominal amount were much more likely to rate themselves as effective.

These results strongly indicate that compensating family members could foster a deeper commitment to achieving superior outcomes. Such a compensation policy not only signals the significance of their contributions, but could motivate family members to invest greater time, effort and dedication, rather than viewing their roles as mere obligations.

Family member qualification policy



Effectiveness across:



A family member qualification policy is similar to that of a family member employment policy in that it outlines requirements, such as those relating to work, age or experience, for serving on its board or other governance body.

Involving the next generation

Does the FIC have a plan, strategy or process to involve the next generation?

Yes 40%
No 60%

Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 54% |
| No | 41% |
| Joint decision-making | |
| Yes | 46% |
| No | 42% |
| Oversight of family decision makers | |
| Yes | 35% |
| No | 25% |

Does the FIC incorporate the role of an observer?

Yes 31%
No 69%

The role of an observer provides a simple way for rising generation family members to gain exposure to the decision-making and collaboration of an investment committee. This could be an early step towards full committee membership.

Does the investment committee have an onboarding process?

Yes 15%
No 85%

FIC effectiveness with onboarding process

53% 34%
Yes No

Has the FIC ever used a request for proposal process?

51% 45% 4%
Yes No Unsure

Does the FIC have an annual self-review process to determine its overall effectiveness?

Yes 25%
No 75%

FIC effectiveness with annual review

65% 28%
Yes No

The practice of an annual self-evaluation is one of the biggest factors determining greater effectiveness. FICs that are constantly trying to improve are those that are committed to being more effective.

Has the investment committee engaged a third-party governance consultant to help it organize and formalize its design and operations?

Yes 50%
No 50%



Family business

What is family business governance?

Effective family business governance is crucial for harmonizing the often-divergent interests of the family, the business itself and its ownership. By establishing clear frameworks, it significantly enhances communication and fosters greater alignment among all stakeholders. In contrast to family investment governance, which manages a wide array of assets across multiple individuals and trusts with varied risk appetites and decision-making processes, family business governance concentrates its efforts on a single, unified organization and entity.

Does the family have an operating company that is the source of wealth?



Purpose

Does the family have a mission, vision and values statement for the business?



Family business governance bodies

Family business board

Does the family have a business board of directors?



While one might expect family businesses to consistently report having a board, this isn't always the case. Several factors could contribute to this discrepancy, including the existence of non-functioning boards, or instances where the corporate structure, such as a partnership or LLC, utilizes general partners or a board of managers instead of a traditional board of directors.

Family business board effectiveness

Respondents were asked specifically whether their family business board was effective at carrying out its defined purpose, role and authority. That data was then applied to the practices, structures and people that are relevant to the family business board. For example, 23% of family business boards have an annual review process in place and are more than 2.5x as likely to indicate they are effective, compared to family business boards that do not have an annual process in place.

Does the family business board have an annual review process in place?

Yes 23%
No 77%

Family business board effectiveness with annual review

45%
Yes
17%
No

Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 68% |
| No | 37% |
| Joint decision-making | |
| Yes | 50% |
| No | 41% |
| Oversight of family decision makers | |
| Yes | 36% |
| No | 25% |
| Preparedness | |
| Yes | 41% |
| No | 18% |

Non-family professionals serving on the board

Do non-family member professionals serve on the family business board?

Yes 56%
No 44%

Family business board effectiveness with non-family member professionals

46%
Yes
44%
No

Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 59% |
| No | 35% |
| Joint decision-making | |
| Yes | 57% |
| No | 35% |
| Oversight of family decision makers | |
| Yes | 35% |
| No | 24% |

Does the family business board have a qualification policy detailing age, education or experience requirements?

Yes 14%
No 86%

Does the family business board have a plan, strategy or process to involve the next generation?

Yes 28%
No 72%

Does the family business board incorporate the role of an observer?

Yes 23%
No 67%

Family business board effectiveness with observer role

40%
Yes
20%
No

Boards that have an observer role in place are nearly twice as likely to indicate that they are effective when it comes to their role, authority and discretion, compared to boards that do not incorporate the role of an observer.

Is there an onboarding process for new family business board members?

Yes 25%
No 75%

Family assembly

Does the family have a family assembly in place?

Yes 18%
No 82%

Family business board effectiveness with family assembly

33%
Yes

22%
No

Effectiveness across:

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 75% |
| No | 40% |
| Joint decision-making | |
| Yes | 67% |
| No | 40% |
| Oversight of family decision makers | |
| Yes | 67% |
| No | 23% |
| Preparedness | |
| Yes | 42% |
| No | 20% |

A family assembly is a formal gathering of extended family members who are often connected by family business ownership, governance or family enterprise. The family assembly is held to share information, strengthen relationships and discuss matters important to the family as a whole. It is part of broader family business governance and tends to focus less on operational business issues, though each family is different.

Executive council

The executive council, often referred to as a family council, is a vital group typically comprised of key representatives from each family branch or generation. Its core function is to develop and implement policies governing family-business interactions, fostering clear boundaries and proactively preventing conflicts. These policies are then often presented to the family assembly for approval.

Does the family business have an executive council in place?

Yes 33%
No 67%

Third-party family business governance consultant

Has the family business ever engaged a third-party governance consultant?

Yes 13%
No 87%

Family business board effectiveness with consultant

50%
Yes

18%
No

Effectiveness comparison

| | |
|-------------------------------------|-----|
| Communication | |
| Yes | 56% |
| No | 42% |
| Joint decision-making | |
| Yes | 31% |
| No | 45% |
| Oversight of family decision makers | |
| Yes | 31% |
| No | 27% |
| Preparedness | |
| Yes | 25% |
| No | 22% |

Family business ownership policies

Does the family business have a buy-sell agreement in place for family ownership?

Yes 38%
No 62%

Does the family business have a dividend policy in place?

Yes 57%
No 43%

A dividend policy sets clear expectations regarding the allocation of profits, guiding decisions on how much cash, if any, will be distributed to family shareholders and how much will be reinvested for future growth.

Does the family business have an employment policy in place?

Yes 23%
No 77%

Effective next-gen preparedness with employment policy

38%
Yes

19%
No

Family office as unofficial investor relations department

Does the family office serve as the unofficial investor relations department for the family business?

Yes 50%
No 44%
Unsure 6%

Family offices, whether embedded within the family business or stand-alone, serve as a vital central hub for the families they serve. They act as a critical communication link, especially between the family business and family members not actively involved in its daily operations. Access to the business's financial and tax information is indispensable for the family office to execute its mandate. This essential role positions the family office as the family business's informal investor relations department, delivering crucial financial insights to family owners.



Philanthropy

Families have several options for carrying out their philanthropic initiatives. This can include donor advised funds, a charitable trust and even an operating non-profit. However, we have chosen to focus on private foundations.

Does the family have a private foundation?

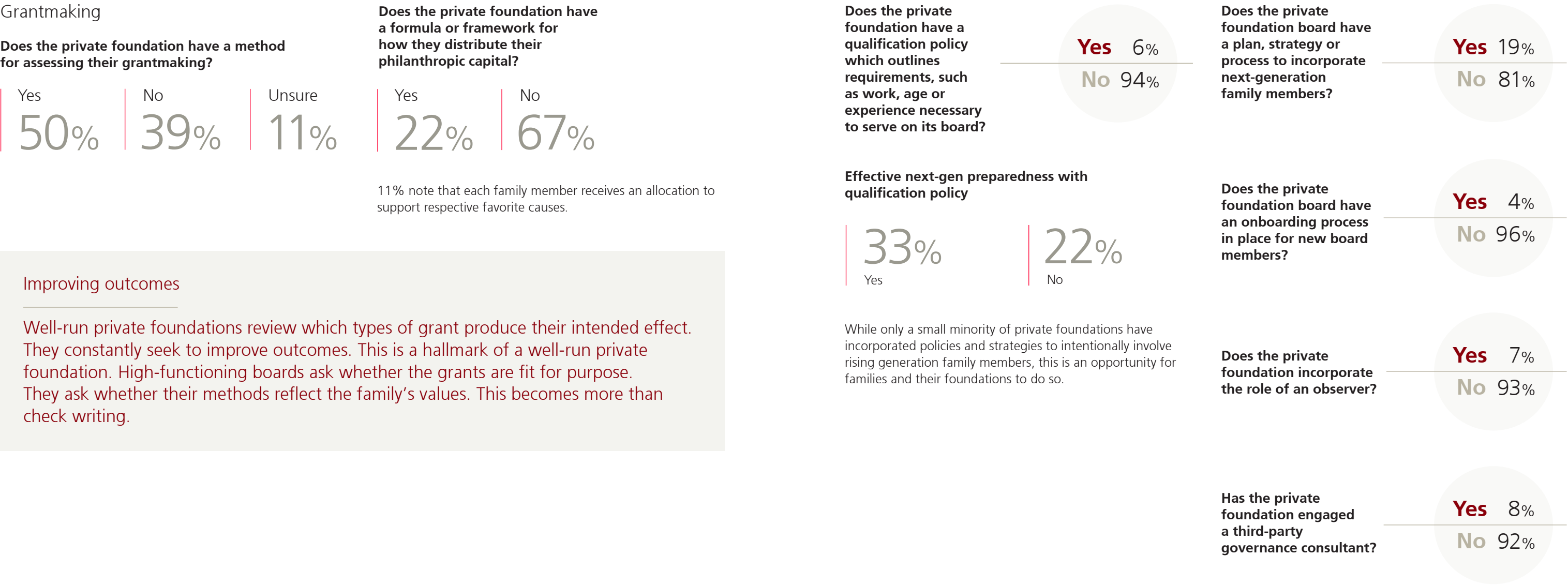
Yes 60%
No 40%

Does an external, non-family member professional serve on the private foundation board?

Yes 50%
No 50%

Involving family members

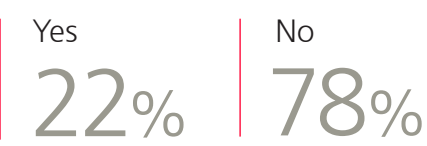
With a private foundation, donors may have significant control over grantmaking (subject to certain limitations and tax rules) and may appoint other individuals, including family members or philanthropic advisors, to assist with the foundation’s operations, make grants and run the foundation.





Family bank

Does the family have a family bank in place?



What is a family bank or new venture committee?

Establishing a “family bank” can allow families to provide customized financial support, enabling family members to access capital for various needs such as launching entrepreneurial endeavors. Sometimes a family bank is termed a “new venture committee” to highlight this entrepreneurial purpose. Additionally, family banks can provide favorable financing for major investments like purchasing a home, keeping interest payments within the family. They can also seek to foster a sense of responsibility in family members, who repay the loan proceeds rather than receive an outright trust distribution.

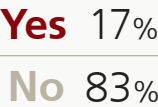
Structure

A family bank can be a capitalized entity or it can be merely a process that the family establishes which family members undertake to access capital.

Governance

A well-defined governance framework is crucial for the family bank to ensure fairness and objectivity in funding requests. This framework should be grounded in a charter outlining the bank’s intent, purpose, goals and objectives. The family should address core questions to guide this process, such as: “What is the family bank’s mission?” and “What are the limitations on its use?”

Does the family bank have a charter in place?



Funding process and monitoring

Is there a process to request funding?

Yes 77%
No 23%

Is post-funding monitoring in place?

Yes 68%
No 32%

Does the family bank update the broader family on investments it makes?

Yes 67%
No 33%

Encouraging entrepreneurship

Is the family bank effective at encouraging entrepreneurship?

Yes 59%
No 23%
Unsure 18%

Business-owning families often place a high value on entrepreneurship and providing opportunities for family members to pursue their own ventures. Establishing a family bank empowers these family members by signaling the family’s readiness to offer financial assistance.

Summary

Practices that drive effectiveness

Families that are more effective across their governance bodies, as well as across governance metrics such as next-generation preparedness and joint-decision making, share a handful of characteristics. They put in the time. They go the extra mile. They invest in finding the right people and the right fit. They understand that their family members’ time is valuable and compensate them accordingly for roles such as serving on an investment committee. They also recognize that the role is an important responsibility. More than that, they want to get better. They evaluate their governance bodies every year and reflect on how they can improve. For families that are multigenerational, each percentage point in effectiveness and other factors compounds across years and generations. Each small improvement makes a massive long-term difference.

Further, the practices that made the most difference across the various factors are two-way practices. Seeking to evaluate and improve requires consistent, dynamic and ongoing engagement. Going through the search process with an executive search and placement firm to find the best fit for an investment committee takes debate and dialogue—not only in understanding the need and capability gap, but also in understanding the value a new member would add to the investment committee. For families that engaged in dialogue, that didn’t just distribute information but discussed it in detail face-to-face—families that engage in these types of practices saw the payoff in effectiveness across the various metrics.

Culture as the driving force

When the likelihood of effectiveness comparison data is reviewed across engaging or not engaging in a specific practice or having a specific structure in place, the question then becomes, “What drives adoption of these practices or structures in the first place?” The answer, more often than not, is family culture.

The family’s shared values and shared practices. Family culture determines what the family cares about (e.g., quality decision-making, next-gen opportunities, transparency and collaboration). Yet structures and practices help reinforce family culture. Indeed, they are self-reinforcing. Of course, saying that a family’s culture drives these practices is anecdotal, yet we see this every day in our discussions and work with families—they either care, put the time in and are intentional or they do not.

A clarion call for family offices

Effective family enterprise governance demands a holistic approach. This requires annual self-assessment and robust committee and board meetings, with agendas circulated in advance alongside supporting documentation. Calendar synchronization among all stakeholders is crucial, as is the consistent development, maintenance and evolution of governing policies.

Active engagement and informed participation from all stakeholders—family members, non-family professionals and advisors alike—are essential for success. In this intricate landscape, the family office stands alone in its comprehensive understanding of both the family and its enterprise.

The family office is uniquely positioned to guide the family in shaping its future by adeptly navigating the present. It can help facilitate finding the time, advancing the conversation and moving the processes along. This isn’t merely an observation of current practices; it’s a vital call to action for family offices to empower their families in advancing the entire enterprise, helping to ensure long-term prosperity and impact across generations.

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