



Corporate New Year's Resolutions – The Patagonia Giveaway and Rise of ESG

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During the summer of 2022, Yvon Chouinard [gave away his company](#), Patagonia, in a bid to help fight climate change. As we start 2023, [Corporate and Commercial Solicitor Gerard Chalkly-Maber](#) takes a look at the story and the growing trend of businesses focussing on “ESG” (Environment, Social & Governance) in addition to profits. Could these be features of your business’s new year’s resolutions and a shift in long-term focus?

Patagonia

Yvon Chouinard, a renowned fan of rock climbing, started out making and selling specialist climbing equipment to friends and family before moving into clothing sales. With the founding of Patagonia, Inc. in 1973, he transferred to the development and sale of sports clothing initially geared towards the climbing sector but which since then has a much broader audience and target market.

In order to retain the independence of the company while ensuring its profits (around \$100 million a year) go towards combatting climate change and assisting environmental conservation, Mr Chouinard, his wife and children transferred their company ownership (purported to be worth around \$3 billion) to a special trust and a not-for-profit organisation.

To achieve this, they transferred 98% of the company’s voting shares, which equates to 2% of the total shares, to the Patagonia Purpose Trust. This trust will be run by family members and advisers in order to ensure that environmental commitment is carried out. The remaining 98% of the total shares were transferred to Holdfast Collective, a not-for-profit organisation which will receive the profits of the company and carry out the climate change action with them.

Mr Chouinard reportedly never wanted to own a company nor even be a businessman. As can be seen from Patagonia’s clothes, virtues and actions, it has had the protection and preservation of the environment as a goal for some time, as directed by Mr Chouinard. Now, Mr Chouinard and his family have taken that passion one step further (at a collective tax cost to the family of around \$17.5 million) by locking Patagonia into that aim with a guaranteed substantial income to finance it.

It is clear that this monumental decision could be the start of a new trend of entrenching a company's purpose and values by such corporate succession planning. Soon after Mr Chouinard's announcement, we saw that David Green [took very similar action](#) in respect of his \$4.6 billion US arts and crafts retailer Hobby Lobby Stores, Inc. with similar altruistic motivation.

The Rise of ESG Awareness

Aside from the high-profile cases that make the news, we are increasingly seeing businesses that have become more aware of matters beyond just making a profit. Many companies are now making concerted efforts to engage with what is termed the "ESG" framework. These are made up of:

Environmental: how can a business minimise its impact on the environment, for example, by becoming an energy net zero business and reducing or eliminating non-recyclable waste.

Social: how can a business be a force for good in the workplace and wider community, for example, ensuring its supplies come from organisations free of modern slavery and promoting diversity and equality of opportunity throughout the business.

Governance: how does a business carry out its decision-making and operations to ensure positive ethical behaviour and transparency, for example, ensuring accountability of leaders and managers for risk and performance management and the prevention of bribery in the business.

Historically, these three aspects have been more of a focus for investors in determining in which companies they will invest. However, in a growing trend, they are now being used more widely by other stakeholders to assess a business and its future in a changing market. Companies are now increasingly finding that when tendering for opportunities, the tender will now typically contain a reference to the ESG framework and demand examples of how the company is demonstrating its commitment to it through practical action. Such scrutiny will also likely come from others involved in the business's lifecycle, including customers, clients, suppliers, distributors, lenders and employees, to name a few. Now, more than ever, businesses need to adapt to remain relevant and demonstrate that they are doing what they say they are doing. They need to want to make a lasting difference.

With the beginning of a new year, this could be the perfect time to consider how to change the way you run your business for the better. Whilst it is unlikely to include an act as large as the donation of business ownership and profits, using the ESG framework, there are always ways to make a difference.

Need advice?

If you would like to discuss any questions regarding different ways to change the structure of your business to promote ESG, please do get in touch with [Gerard Chalkly-Maber](#) or any other member of our [Corporate &](#)

[Commercial Team](#) at Online.Enquiries@LA-Law.com.