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Dear Jason,

You wrote to me expressing your questions about the positioning of your company in the wake of widespread corporate activism. Companies in every industry are making headlines for their political stances and discussion of the societal role of corporations; and the financial sector is no exception. As the managing partner of an RIA firm that provides various financial services to a wide range of individuals, many of your clients may be curious about your firm's beliefs. In this letter I have broken down modern approaches to corporate social activism and responsibility, highlighted a few examples from prominent financial service companies, and concluded with recommendations on the best path forward for Weaver Consulting Group.

Corporate Social Activism (CSA)

Corporate social activism (CSA) is the practice that first comes to mind when considering companies in the public spotlight. Think of Chick-fil-a speaking out on gay marriage, Gillette discussing toxic masculinity, or Patagonia advocating against carbon emissions. These are all examples of CSA, which refers to a company's efforts to advocate for specific causes, support social or political movements, or take a public stance on controversial issues. The goal of corporate social activism is to use the company's platform and resources to be influential to the public.

However, CSA has its risks. By weighing in on contentious political issues such as abortion or immigration, corporations are ostracizing potential consumers who feel differently. A notable example of this was Gillette—who released an ad in January of 2019 criticizing men for a variety of behaviors they deemed as toxic and then lost \$8 billion in revenue to competition within five months. Companies are also in danger if their efforts seem disingenuous, as a group of researchers from the University of Northern Carolina studying CSA describe how “CSA also has been criticized as woke washing, or attempts by companies to appear socially conscious to make profits” (Austin et al.). The public can be hypercritical of even the best intentions; so, when a company engages in CSA, they also place their head on the chopping block.

It is for this reason that I do not recommend CSA practices for your firm. It's a risk not worth taking; you are more likely to alienate potential clients or face public criticism than attract those who share your views.

Corporate Social Responsibility (CSR)

While CSA has only gained real traction over the last few years in the media, companies have been engaging in corporate social responsibility (CSR) for decades. CSR is a business model that helps a company be socially accountable to itself, its stakeholders, and the public. The main goal of CSR is to have a positive impact on society while conducting business, and CSR practices frame how a company interacts with the world beyond profit generation.

CSR practices can take many forms, including environmental practices, philanthropy, community outreach, and volunteering. It can even be as simple as a company establishing what they value beyond profits—a practice that has been incorporated into almost every modern business.

A good CSR mission helps a business build a positive reputation and foster customer loyalty—acting as a form of investment. Arvind K. Jain, an economics professor at Concordia University, argues that additional expenses from CSR create goodwill with customers and “actually makes the investment in CSR a profitable activity. In such cases investment in CSR is no different from investment in, say, an advertising campaign” (Jain).

Therefore, when handled right, CSR can avoid the controversial aspects of activism and be an extremely helpful tool for both the profitability and widespread impact of a company. To figure out what CSR practices are right for Weaver Consulting Group, let's examine the strategies of other successful financial institutions.

CSR at BlackRock

As the largest asset manager in the world, BlackRock is an important example of CSR and CSA in finance. Their CEO, Larry Fink, has been extremely outspoken about the responsibility corporations have to society and adds that companies must make a shift to “benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.” Blackrock has very active CSA, taking positions on hot button issues such as climate change and public policy, and they act out their CSR mission through commitment to Environmental Social Governance (ESG) investing—which we will discuss in more detail later. They are a strong example of a financial institution with very serious CSA and CSR, exemplifying one path that companies can follow. However, Blackrock has been labeled as hypocritical from both sides, as conservative attorneys general accused them of violating fiduciary duties for their net zero agenda, and liberal activist groups criticized their still high investments in fossil fuels. As we have already discussed, having decisive CSA and CSR is a potential risk for any company, and BlackRock is no exception.

CSR at RIA's

In order to gain insight into the CSR initiatives of your direct competition, I reviewed companies listed by Forbes as the best RIA firms in the US for 2023. Out of the top five, only two make any mention of CSR on their company websites, and they do so indirectly by offering options for sustainable and ESG investing upon request. None of these five firms have dedicated CSR webpages or engage in any form of activism, and I was unable to find any explicit community engagement or philanthropy programs. Instead, there is a universal emphasis on company values, with each of the five highlighting their commitment to placing the client's needs at the forefront.

This approach to CSR may be seen as somewhat limited, as it primarily focuses on client satisfaction rather than broader social or environmental concerns. Nevertheless, it demonstrates a commitment to ethical conduct and client welfare. In essence, these RIA firms are upholding ethical and socially responsible standards by ensuring the best possible service and financial outcomes for their clients. While some firms choose to extend their CSR efforts to include support for ESG and sustainable investing, the general trend among RIA firms seems to be a more restrained approach to CSR, with client interests taking precedence.

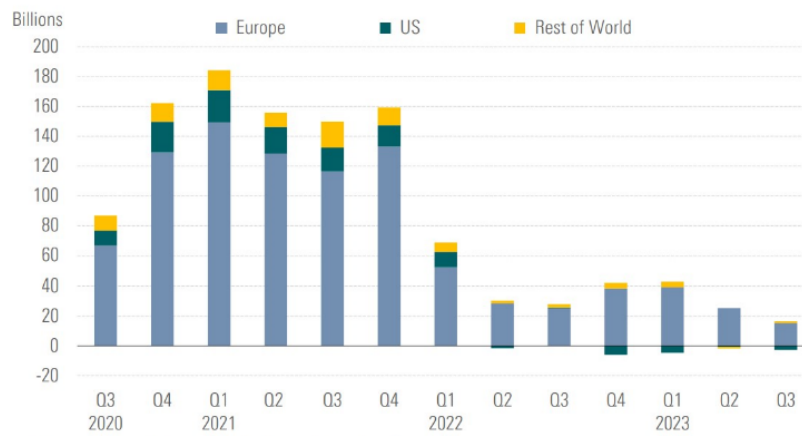
Sustainable/ESG Investing

While some RIA firms are choosing to solely incorporate CSR through their commitment to client interests, ESG and sustainable investing have become a prominent aspect of CSR in finance.

Among investors there has been a strong push, particularly in the younger generation, towards investing based on sustainability factors. ESG investing refers to the practice of incorporating Environmental, Social, and Governance factors into investment decisions. These factors are quantified for each company, and they are given a score based on how well their business practices fit into these three criteria.

Most public companies have an ESG score, and many people will consider ESG when they are deciding whether to invest because it allows them to choose in companies that appear to be committed to positive social and environmental outcomes.

The figure to the right shows the flows into ESG investments per quarter since 2020, and while these flows peaked in 2021, they are still growing by almost \$100 billion per year. There are countless ETFs and mutual funds whose holdings are dependent on ESG score or other sustainability criteria. In



Source: Morningstar Direct, Manager Research. Data as of September 2023.

the case of BlackRock, promoting ESG investment opportunities is a large part of their CSR mission, and they have entire departments dedicated to ESG investment opportunities and research. There are alternatives to ESG such as sustainably responsible investing and green bonds, but ESG is by far the preferred option for socially concerned investors.

Should you emphasize ESG?

Both Pathstone and Beacon Pointe—two of the top five RIA firms of 2023—have segments of their websites dedicated to ESG investment options. They both emphasize their ability to cater client portfolios to ESG, which may make them more appealing to younger clients who value sustainability in their investments. However, unlike BlackRock, they make no commitment about the firm's dedication to the principles of ESG or sustainable investing. The other top firms almost certainly provide ESG investing strategies—as they are so readily available—so the webpages dedicated to ESG appear to be just a useful marketing tactic.

ESG investment options are a very easy service to provide to clients; it's essentially a costless way to attract younger clients who value CSR. You may choose to dedicate a section of your website to your ESG accommodations, but it is by no means a requirement as the majority of top RIA firms choose not to emphasize this. However, it's a tactful idea to mention your ability to provide ESG investments when meeting with clients—especially if they appear younger or socially conscious.

Recommendations

Given everything we have discussed and the good models of top RIA firms, here are the final recommendations I have for you regarding the CSR and CSA practices of your firm:

1. Refrain from activism

Your clients will likely come from a wide variety of backgrounds and age groups, so by taking stances on controversial political and social issues you're guaranteed to alienate a portion of them. None of the top RIA firms partake in serious activism, so it is my recommendations that you do not either.

2. Act out CSR by emphasizing the integrity of your values

Clients prefer professional advisors with strong personal morality and integrity. Your clients need to know that you care about them and are committed to prioritizing their financial needs; and they must believe your firm will act in their best interest. Emphasize your firm's values and commitment to clients above all by highlighting this on your website and within client interactions.

3. Provide sustainable/ESG investment opportunities

Providing options for sustainable and ESG investing to clients is very easy given the number of publicly available etfs and mutual funds. Identify a few good ESG investment funds and

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choose whether to publicize this as an option on your website. Be sure and emphasize this capability for ESG investing when meeting with younger and socially conscious clients.

By emphasizing the integrity of your values, committing to prioritize the financial needs of your clients, and providing sustainable and ESG investment options, you will be able to foster a positive reputation and build strong, lasting relationships with your clients. The practices of top RIA firms and examples from the financial sector show that this approach is both feasible and beneficial for businesses in your industry.

I hope this information serves as a valuable guide for the strategic direction of your Weaver Consulting Group. I will reach out later this week to discuss your takeaways and see if there are aspects of the report you would like me to expand upon. In the meantime, feel free to email me with any supplemental questions you may have.

Sincerely,

Keith Openshaw

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Usage	Tool	How I edited/used the output	Most/Least useful info
Outlining	ChatGPT-4	Told it exactly what I wanted to talk about in list form and asked for a better order	Gave me great order
Polishing	ChatGPT-4	Gave it my sentences that had good info but sounded odd and asked for new phrasing	Sometimes just said exactly the same thing as me