

## Why this wealth manager decided to become a B Corporation

Response to COVID-19 illustrates firm priorities

By Mel Lagomasino

When we think of B Corporations, we often think of consumer brands. Clothing brands such as Patagonia, e-commerce sites such as Etsy, or food brands such as Ben & Jerry's, but rarely do we think of wealth management firms. The idea of becoming a B Corp is rare in the wealth management industry. WE Family Offices, a multi-family office based in New York and Miami, has gone through the certification process to become a recognized B Corp and this is what we learned along the way.

### What is a B Corp?

According to B Lab, certified B Corporations are "businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose." In short, a B Corporation considers the needs of all its stakeholders, including its employees, clients,

service providers and communities, and shareholders.

For WE Family Offices, the story began with our founding principle: being a fiduciary. The concept of putting our clients' interests first has been woven into the very fabric of our firm's culture from the beginning. Being a B Corp means you put your stakeholders first and balance the impact of every decision on all of those interests. So, for WE, becoming a B Corp was just a natural extension of being a fiduciary. We looked at the requirements and said, 'We are a B Corp, we just aren't certified.' So, we became certified.

As a firm that embraces our fiduciary duty, we have always put our clients' interests before our own. Every recommendation we make has only one key principle in mind: what is best for our client? For us to achieve this, we have to intimately know our clients, their families, objec-

tives and preferences, to deliver real-life solutions that work for them. Because putting clients first is so prevalent in how we do business, it is also critical that we attract and retain employees who embrace the fiduciary culture and love what they do. As a firm, we would not be able to attract this type of employee if we didn't value them as much as we value our clients and shareholders. This certification gives external validation to the way we have conducted our firm for years.

For those families with an interest in values-aligned investing, ESG investing or impact investing, being a B Corp gives them evidence of our own commitment to aligning our business with our values.

### Reviewing our policies

We spent nearly six months going through the certification process to become a B Corp. During this process, we answered

questions and reviewed internal policies that included employee benefits, diversity and environmental impact. We discovered the policies that were already in place at WE were aligned with the B Corp standards, and we didn't have to make many changes to how we operate as a firm. To demonstrate our commitment to our employees, our community and our clients, we changed our operating agreement to explicitly include all stakeholders, not just shareholders. We also updated our 401(k) plan to include ESG options for our employees.

Examining a company's response to the current COVID-19 outbreak illustrates the difference in priorities and in outcomes for a B Corp, which prioritizes all stakeholders equally, compared to many other companies which prioritize shareholders over other stakeholders.

From a shareholder-only lens, you would look at prioritizing cost-saving solutions to protect shareholder value, potentially to the detriment of the health and

safety of employees, clients and the community.

The response from a B Corp would in a sense "flip the equation" and put shareholder value at the end. Our response to COVID-19 was first to ensure our employees were safe and well-equipped to work remotely. This, by extension, allowed us to continue to serve our clients seamlessly, and finally, to help the community by following stay-at-home orders.

It would be easy to assume that "flipping the equation" would result in a loss of profits due to lower revenues and higher expenses. However, we believe that solving for clients, employees and the community will naturally create a more sustainable, profitable and valuable organization for the future, thereby creating more value for the firm's shareholders in the long run. We see that companies that make the right decisions for all the stakeholders are companies that are naturally better positioned for future growth with more sustainable business practices in place.

## Sustainability

Becoming a B Corp also aligned well with our view of implementing sustainable, long-term strategies that help ensure the continuation of our firm. WE is a partnership that is managed with a 40-year view; rather than making decisions based on how it will affect value over the next year, we think in terms of decades. Our goal as a firm is to be able to accompany our clients through many intergenerational transitions. The families we serve are multigenerational, so we must be here for the long term.

Whether becoming a B Corporation will become a trend in the wealth management industry is yet to be seen. As ESG investing becomes more common, clients may start to ask the same questions of their wealth advisors that they ask of the corporations in which they invest: how are they treating their clients, employees and community?

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