OCT 05

Will Paige

BlackRock rebrands sustainable investing unit to help defend against ESG scrutiny

Article

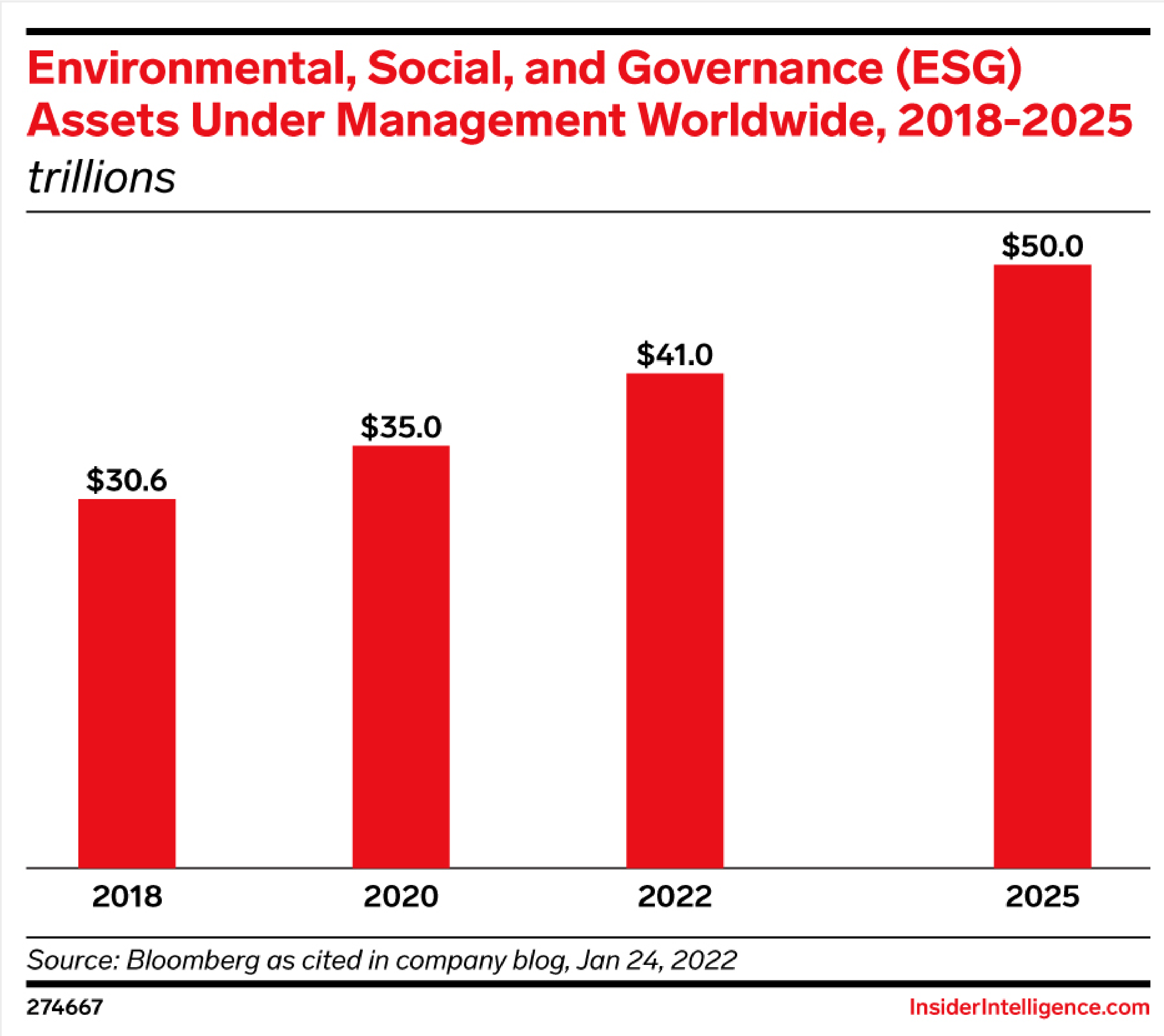
The news: **BlackRock** has shaken up its leadership with a **new CFO and rebranded its sustainable investing division**, partly in response to recent criticism linked to environmental, social, and governance (ESG) investing, according to the Financial Times.

- The asset management titan promoted Martin Small, head of the firm's US Wealth Advisory business, to CFO. The appointment was one of around six changes made to leadership, per the Financial Post.
- BlackRock also renamed its sustainable investing department to Sustainable and Transition Solutions and appointed Jessica Tan as its new head.

Why now? BlackRock has been embroiled in a tussle with Republican-led states, which have been penalizing financial institutions (FIs) for supporting ESG policies rather than the fossil fuel industry. But it's been simultaneously criticized for investing billions into oil, gas, and coal companies while publicly touting its environmental efforts.

What could it achieve?

- Promoting Small, who has extensive experience in wealth management, could signal a change in strategy for BlackRock and indicate that it's looking to expand in the ultra-high-net-worth space.
- It may also be aimed at future-proofing the firm's leadership. Promoting younger executives from within develops new talent and hedges against the risk of aging leadership.
- Above all, the rebranding of its sustainability-focused division and new head are likely an attempt to limit discontent from both sides of the political divide. BlackRock and other big FIs in the US need to walk the fine line between pandering to fossil-fuel-friendly politicians while still appeasing environmentally concerned shareholders and clients.



ESG still a priority: Despite pushback from some quarters, a massive ESG assets under management (AUM) growth opportunity remains for firms that are proactive.

- One-third of US asset managers reported that they had lost, or were at risk of losing, more than 20% of their institutional mandates due to dissatisfactory ESG products, according to BCG research.
- Nearly half of global consumers surveyed say they would choose investments with positive societal impacts, even if the investments yielded lower returns, per Capgemini.

- Nearly 60% of global institutional investors cited greenwashing as a major ESG investing concern, according to a Schroders survey.

Global Investment Management Ecosystem

Note: This graphic is illustrative, not exhaustive
Source: MSCI, December 2021
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Read on: *Check out our report on* ***[The Rise of ESG Investing](#)*** *for more on how ESG products can drive growth for asset managers.*

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