Retirement News Highlights

Wednesday, April 7, 2021

- [BlackRock pledges to conduct racial-equity audit]
- [ESG funds outshine S&P 500 during pandemic – analysis]

BlackRock pledges to conduct racial-equity audit

By Hazel Bradford
Pensions & Investments
April 6, 2021

BlackRock plans to undergo an external review of how its diversity, equity and inclusion policies impact stakeholders, the firm said in an employee memo sent April 1.

Saying it must lead by example, the memo from Global Head of Human Resources Manish Mehta and Global Head of DEI Michelle Gadsden-Williams referenced the firm's enhanced diversity, equity and inclusion strategy. The goal, it said, "is for BlackRock to be a leader in integrating diversity, equity and inclusion into every aspect of our business — ranging from our own people and culture, to how we serve our clients, to how we use our voice in broader society."

BlackRock has embedded accountability into its business and manager assessments, and is publishing quarterly progress reports on its DEI strategy, the executives said. Results from the external review, to be shared with all stakeholders, "will provide useful feedback in assessing our progress and areas for future focus," it said.

Shareholders are increasingly asking firms to consider such racial-equity audits. The request for BlackRock to do one came from SEIU, which withdrew its resolution after the firm agreed to undergo the racial-equity audit.

In November, SEIU's Capital Stewardship Program and CtW Investment Group launched a joint initiative to demand racial equity audits at the six largest U.S. financial institutions. CtW Investment Group and Morgan Stanley recently reached an agreement for the bank to conduct an internal diversity review, and to meet shareholders on next steps before its 2022 annual meeting.

The proposed resolution urged BlackRock to assess its behavior through a racial equity lens to see how it contributes to systemic racism, including where its stated values are misaligned with the impact of its actions. The resolution referenced a 2020 proxy voting report finding that BlackRock opposed most shareholder proposals for companies to address racial justice issues and "did not use its clout as a significant owner to advance racial justice."

Back to top

ESG funds outshine S&P 500 during pandemic – analysis

By Hazel Bradford
Pensions & Investments
April 6, 2021

Large ESG funds outperformed the S&P 500 in the first 12 months of the COVID-19 pandemic, according to an analysis released Tuesday by S&P Global Market Intelligence.

The analysis looked at 26 ESG exchange-traded funds and mutual funds with more than $250 million in assets under management.

From March 2020 to March 2021, 19 performed better than the S&P 500's 27.1% increase, rising between 27.3% and 55%. Another six funds gained 17.7% to 26%, and one ETF matched the S&P 500 increase.

In addition to screening for stocks based on value and growth, funds identified as "ESG-focused" have additional criteria such as ESG-focused governance practices, sustainability scores, disclosure practices, fossil fuel exposure, adherence to religious principles and workplace diversity.

"Critics of ESG investing often question whether the strategy can deliver premium returns. But ESG fund managers have said their focus on non-traditional risks led to portfolios of companies that so far have been resilient during the COVID-19 downturn," the analysis found.

The top performer in the funds studied was Parnassus Investments' Parnassus Endeavor Fund, which "went from being among the poorest performers to the top of the list following tweaks to its portfolio" that led to a 55% increase, S&P found.

Other top performers were Nuveen Fund Advisors' Nuveen ESG Small-Cap ETF, which saw a 51.5% increase, and Ariel Investments' Ariel Fund with a 45.4% increase.

Back to top