

# The ESG Report

ESG's impact on the fund industry

## BlackRock U turn



BlackRock has led the fund industry's promotion of sustainable investing. Its CEO, Larry Fink famously once claimed that 'climate risk is investment risk'. But now he says that he does not want BlackRock to be 'the environmental police'. What changed?

Larry Fink is good at getting headlines. He is often quoted in the financial, and indeed mainstream, media. Over the last few years he has used his near to celebrity status to champion the cause of ESG in general and sustainability in particular.

As well as saying climate risk is investment risk he also claimed that 'climate change is different. Even if only a fraction of the projected impacts is realised, this is a much more structural, long-term crisis. Companies, investors, and governments must prepare for a significant reallocation of capital.'

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## DWS: by no means unique



The police raid on DWS in Frankfurt could change the way that ESG is marketed by fund groups. A lot of asset managers may have been doing similar things to DWS. To avoid DWS's fate many are reviewing how they promote their ESG funds.

Shortly after the ESG Report's May issue was published approximately 50 officials from the Frankfurt public prosecutor, German securities regulator BaFin, and the federal criminal police office BKA were sent to the headquarters of DWS in Frankfurt in follow-up to complaints made by a whistle-blower.

The whistle-blower is the former head of sustainability at DWS, Desiree Fixler. She claims that DWS had made misleading statements on ESG in its 2020 annual report. It has been reported that more than half the group's \$900 billion in assets under management were invested under ESG criteria. Fixler told Der Spiegel she was caught off guard by her dismissal after only eight months on the job amid efforts to end misrepresentation of ESG investments. She is now pushing for the audit report into the ESG investments to be made public.

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