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Conservative Outrage Over ESG And DEI Fueled By 2017 BlackRock CEO Video

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A 2017 interview with BlackRock BLK0.0% CEO Larry Fink has resurfaced in which he stated he wanted to force diversity and inclusion policies on companies. The quote has sparked outrage within conservative circles and debate as to the role of investment funds in the broader ESG conversation.

BlackRock Inc. is the world's largest asset manager, with over $8.5 trillion in assets. Fink founded the company and has served as CEO since 1988. Criticism of BlackRock has escalated within the past year, as conservatives began pushing back on environmental, social, and governance, or ESG.

ESG is a type of investing where non-financial factors are considered when making investment choices. Of the three ESG categories, social is drawing the most controversy as conservatives pushback on "woke" corporate policies, including diversity and inclusion.

ESG has grown significantly over the past few years, following a push from the United Nations. While the European Union and the United States work to develop reporting standards, companies and fund managers are using their own standards as to what factors to consider. This allows fund managers to score companies based on their own priorities.

BlackRock was an early acceptor and advocate for ESG. Fink became a strong voice for stakeholder capitalism, where companies are required to consider interests beyond those of the shareholders. BlackRock was able to utilize its assets to affect early change.

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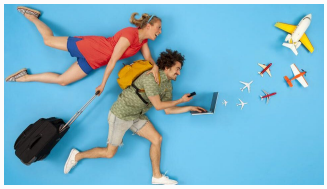
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As business leaders and conservatives began to pushback on ESG, BlackRock became a target. Republican controlled states began divesting their investments from BlackRock, claiming that the company and Fink were engaged in activism and imposing their beliefs on American companies. A claim that will be amplified with the newly resurfaced video.

The question was part of a 30-minute panel at the 2017 DealBook Summit, hosted by The New York Times NYT0.0%, which brings business and policy leaders together to discuss trending topics. The panel, hosted by Andrew Ross Sorkin, featured Fink alongside Kenneth Chenault, who was the outgoing CEO of American Express AXP0.0% at the time. Sorkin noted that when Chenault was named as CEO in 2001, he was only the third African American to run a Fortune 500 company. Eighteen years later, his resignation was poised to leave only three African Americans remaining as CEOs of those companies. The question was about the lack of progress in that area and the need for diversity.

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Chenault stated that diversity and inclusion is one of the biggest issues facing society. However, he noted it wasn't a lack of talent, rather a lack of recruitment and getting a more diverse group into the pipeline. Notably, Chenault went on to co-found OneTen, a coalition of business executives with a goal to "hire, promote and advance one million Black individuals who do not have a four-year degree into family-sustaining careers" by 2030.

Fink followed with the one-minute response that is going viral among conservatives. In it, he said "Behaviors are going to have to change. This is one thing we're asking companies. You have to force behaviors. At BlackRock we are forcing behaviors."

In response to the renewed criticism, BlackRock issued the following statement. "This nearly six-year-old clip misconstruing Larry's words about BlackRock's own approach to its employees has been circulating for years on social media and is often taken out of context. As a fiduciary, BlackRock's actions serve one purpose: maximizing long-term financial value for our clients. As an employer, BlackRock seeks to hire employees from a wide range of backgrounds and perspectives because we believe this diversity is critical to delivering for our clients in a rapidly changing world."

However, the comment is reinforcing the beliefs of critics. It also comes at a time when conservatives are extremely critical of corporate ESG and DEI policies. While most of the current outrage is geared towards LGBTQ+ policies of companies like Bud Light, Target TGT0.0%, and Kohls, the quote will further fuel the belief that ESG is a tool to force companies to implement certain policies.

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