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BlackRock Throws Its Weight Behind Impact Investing

The world's largest asset manager is backing investments that seek to combine financial gain with an economic and social mission.

By Imogen Rose-Smith

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If there's one thing the world's biggest money manager knows, it's how to make an impact. BlackRock did just that in February with the announcement that Deborah Winshel, former president of New York–based, hedge-fund-backed charity the Robin Hood Foundation, would be joining the firm to help lead its new impact investing practice.

The Rockefeller Foundation coined the term "impact" in 2007; it refers to a type of investing gaining popularity at the time, particularly among foundations and high-net-worth individuals, that looks to align financial rewards with an economic and social mission. For $4 trillion BlackRock, impact can mean anything from equity allocations that screen out securities such as tobacco stocks to green-infrastructure investments or those with a desired social outcome.

Historically, the type and number of investors who considered so-called nonfinancial factors — environmental, social and corporate governance, or ESG — were limited. They were typically individuals, religious institutions and some foundations, often using program-related, or grant, funds.

Over the past decade more investors, including large pension plans and sovereign wealth funds, have started to express concern about externalities such as climate risk. Some, particularly in the foundation and ultrahigh-net-worth space, have also become interested in carving out opportunities that let them pursue a social or environmental agenda and make money. At the same time, a growing body of evidence shows that consideration of ESG factors by active asset managers can enhance returns.

Activists have mounted successful campaigns to encourage institutions to address climate change and tackle the level of carbon assets in their portfolios. Better use of data and more accountability of outcomes in the nonprofit sector, pioneered by such groups as Robin Hood, have made it easier to quantify the impact of philanthropic endeavors. This has made it possible to create investment strategies out of certain philanthropic activities, especially in cases where the benefits will result in lower costs to the community. There have also been innovations in the capital markets, including the emergence of social finance bonds and the growth of the green-bond market.

All of these changes have made the sustainable-investing space much more attractive to asset managers and clients. The tenth *Report on U.S. Sustainable, Responsible and Impact Investing Trends*, published by Washington-based US SIF – The Forum for Sustainable and Responsible Investment, found that U.S.-based socially responsible assets under management almost doubled between 2012 and 2014, from $3.74 trillion to $6.57 trillion.