Recommendations for States to Fight ESG

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The Environmental, Social, and Governance (ESG) movement not only threatens to wreak havoc on the American economy, but also on American culture. Here is a quick guide to what ESG is, why it matters for conservatives, and what states can do.

What is ESG?

Advocates on the Left commonly describe ESG as criteria for making strategic investment decisions to aid environmental or social causes one cares about. Financial firms now promote ESG-driven investment strategies, where they grade companies based on their ESG policies and make investment decisions based on how high a company's ESG score is. Some ESG activists go beyond this by advocating for government regulation mandating ESG reporting from companies.

Why is this so concerning?

In reality, ESG policies are a thinly veiled attempt to radically transform corporations into social justice warriors and exclude from the system of global financial capital any company or even individual who doesn't agree with the prevailing environmental or social ideology, effectively functioning like a social credit score.

As a result, capital is now being diverted to causes and purposes that its investors never intended to support. ESG works to mandate ideological considerations in investments across the board, fundamentally changing the free market as we know it.

It's infecting every level of government and finance. In May 2021, Biden's nominee to lead banking regulation said "the way we basically get rid of those carbon financiers is we starve them of their sources of capital." This is the heart of ESG — starving disfavored industries of capital. Americans have watched as this administration has shuttered pipelines, denied permits, and cut off development-bank financing for oil and gas — all in line with the so-called ESG agenda.

What can states do about it?

State lawmakers have several ways they can fight ESG in their state:

- **Protect state pensions and investments.** States should pass legislation reinforcing that state fund managers have a primary fiduciary duty to act in the sole financial interest of the shareholder (the state). This ensures state investments are only invested and voted in such a way that benefits the state and its citizens – not based on ideological or social preferences driven by ESG.

- **Protect state contracts.** States should ensure they only do business with companies that share an interest in the state's profit, not ones that actively discriminate through ESG policies against the state's economic interests.

- **Support executive officers.** States should pass a resolution empowering their executive officers to use all of their authority, including administrative action. They should also use tools at their disposal such as filing public comments and exploring legal challenges to forthcoming SEC regulations and Executive Orders that would implement top-down, one-size-fit-all mandates.

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