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***NEBRASKA TAXPAYERS FOR FREEDOM* ISSUE PAPER:**

PROTECT YOUR ASSETS AGAINST LEFTIST ESG POLICIES.

BACKGROUND. Powerful liberal global economic and political elites have committed to a global reset of the prevailing free market school of economics. They want to supplant the shareholder doctrine of capitalism that states that the main objective of corporate executives is to maximize profits for company shareholders with radical environmental, social, and governance (ESG) scores. They and their minions seek to coerce corporate executives and board directors to implement social justice objectives, prodding companies to earn social credits. These leftists organize boycotts against companies that do not receive high ESG scores or refuse to cooperate with promoters or embracers of ESG.[1]

THE THREAT. The ESG investment movement promises that by being coercive, it can more effectively attain specific political objectives. Leftists who cannot prevail in elections or by lobbying Congress now seek to force climate change and gender and racial diversity disclosure requirements on corporate boards. The liberal Securities & Exchange Commission (SEC) chairman published a request for public comment on the SEC plan to write new rules for corporate disclosure on climate change, seeking corporate replies to 15 questions. Additional supporters of small government and free enterprise have become sufficiently alarmed to redirect resources into the fight. Those resources desperately needed, because what happens over the next few years under the finance regulators of the current Biden Regime could determine how U.S. corporations managed in future decades. Steve Soukup, author of The Dictatorship of the Woke Capital, wrote

about the alarming transition from a market in which all are free to invest according to our individual values to one in which only 1 set of politically-correct values imposed on everyone. Soukup traces contemporary calls for "enlightened" and "responsible" investment from left-leaning writers over 150 years. In this history, progressive critics always have pushed for greater "social" control of corporate America, and the push for ESG currently in style among their ideological descendants is only the most recent threat to investor rights.[2] The concept known as environmental, social, and governance (ESG) theory has a long history of similar, predecessor concepts in academia literature. For over a century, critics of the free market economy, inspired by radical political goals, have argued that private corporations should not limit themselves to seeking profits for their shareholders but must engage in various kinds of activism to address social problems and concerns. The Biden Regime refuses to enforce and will rescind a Trump rule that made it more challenging for employers to offer ESG-related funds in retirement plans. Under this Regime, the ESG framework now embraced by government agencies, quasi-government entities like those affiliated with the UN, leftwing non-profit advocacy groups, and international policy organizations like the World Economic Forum. These organizations have created complex sets of principles and rating systems for various environmental, social, and governance priorities by which they believe companies should abide. Several interests want to advance specific environmental or labor policy outcomes. Others are individual investors who want a competitive rate of return but want to minimize their carbon footprint. Others are professionals peddling ESG- themed financial products and consulting services, carving out a lucrative niche for themselves in a burgeoning field. Many of the goals specified are highly controversial and absolutely not universally accepted. For example, the expectation that all employers include abortion in health coverage would offend pro-life shareholders. Demands to end child labor internationally could force many families in developing countries into more abject living conditions. Requiring firms to invest only in politically popular renewable energy sources, like windmills and solar panels, would hurt nuclear power development and slow the creation of a low-carbon economy. Three leftist activists elected to the Exxon board of directors now are undermining the company internally. Proponents demand that federal policy mandate ESG goals. Recent legislation proposed by congressmen, including Sen. Elizabeth Warren (MA), and regulatory proposals advanced by the current leadership of the SEC, would require that U.S. corporations move from the longstanding legal presumption of shareholder primacy to one in which government agencies dictate the priorities of business entities but assume none of the cost for imposed mandates. This shift would constitute a major threat to the property, due process, and association rights of investors. Regulatory increases, privileging of ESG-using firms, and negative effects on economic growth and innovation would likely all result from such policy-making and enforcement processes. Additionally, flawed rules would become entrenched and extremely difficult to change once regulated entities start spending money and making long-term compliance plans.[3]

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[1] Heartland Institute, ESG: Environmental, Social, and Governance Scores, undated.

[2] National Review, Conservatives Waking Up: Responsible Investing could mean Left-Wing Control, by Richard Morrison, Sept. 3, 2021.

[3] Competitive Enterprise Institute, Environmental, Social, and Governance Theory, Defusing a Major Threat to Shareholder Rights, by Richard Morrison, May 5, 2021.

GOOD BILL. ESG is a means for Socialist Democrats and radical activists to influence environmental policies by avoiding congressional action. However, Conservative Cong. Andy Barr (KY.) and Rick Allen (GA.) introduced **HR 7151**, the Ensuring Sound Guidance Act, to protect investor retirement accounts from asset managers who place radical environmental and social goals ahead of interest and dividend returns. Their bill would require investment advisors to prioritize financial returns over non-monetary factors when making investment decisions for clients. The intent is to protect investors from diminished returns because of politically-motivated asset managers who prioritize leftwing causes over profits. "Our bill protects average Americans saving and building wealth through retirement plans. It also preserves access to capital for energy producers to ensure costs won't skyrocket further for Americans at the pump during a time when gas prices are at a historic high," said Cong. Barr, a senior member on the House Financial Services Committee. Barr declared that more of the woke Left are forcing their climate change agenda on middle-class families by pressuring clients to invest in "green" funds. Co-sponsor Cong. Allen serves as the Lead Republican on the Health, Employment, Labor and Pensions Subcommittee on the House Education and Labor Committee and promotes **HR 7151** there. This legislation codified parts of the Dept. of Labor rule promulgated by Pres. Trump that required investment advisors to consider only monetary factors when making investment decisions. Barr made clear that protecting fossil fuels from sustainable investing advocates looking to spur renewable energy transition is a major motivator. "This is about maximizing investor returns," Barr said, "It's also about making sure that the energy sector has the financing that they need to provide affordable energy for the American people." **HR 7151**, with 5 co-sponsors, currently is in both the House Education & Labor Comm. and House Finance Committee. "If a company believes its owners need or want financially irrelevant information about global warming, political spending, or any ESG-related topic, they are free to disclose it," said Sen. Pat Toomey (PA.), ranking member of the Senate Banking Committee, adding that the SEC should not misuse its authority to force publicly-traded firms to disclose non-material information only because politically-motivated investors demand it. He argued that there exists little to no evidence showing ESG investing produces higher returns and that a government mandate for such disclosures ultimately will harm investors both by discouraging companies from going public and by undermining the quality and reliability of the SEC disclosure framework.[4]

FIGHTING BACK. Conservatives are increasingly challenging this "sustainable" and "responsible" investing tactic by radicals. Conservative citizens, congressmen, and shareholders are fighting back against the endeavor by UN bureaucrats and World Economic Forum liberals to steer corporate decisions. Goya Foods, Hobby Lobby, Hardee's, and NE beef baron Charles Herbster all are among business interests mobilizing opposition to this invasion of Corporate America.[5] As the intellectual opposition has expanded, conservative leaders across the nation are confronting ESG topics like divestment from the oil and gas industry and anti-racism policies.[6] Tesla CEO Elon Musk called ESG a scam that social justice warriors have weaponized. Leaders of federal financial regulatory agencies actually visited Pres. Biden to question mandating corporate disclosures on environmental, social, and governance factors, cautioning such as bad financial practice. Former VP Mike Pence criticized ESG campaigns, saying elevating leftist objectives over the interest of businesses and their employees and investors is wrong. He wants states to stop the campaign for employee pension funds to use ESG principles in investing. Pence accused Biden and his federal regulators of weaponizing the financial system to destroy energy producers. "The woke left is poised to conquer corporate America and has set in motion a strategy to enforce their radical environmental and social agenda on publicly traded corporations," Pence wrote.[7] As congressional Republicans have cooled toward the U.S. Chamber of Commerce because of its increasing liberalism, they have welcomed working with the new American Free Enterprise Chamber of Commerce (AFECC). The Republican Study Comm., the largest conservative group in the House, invited leaders of the AFECC to lunch at the Capitol. Its leaders are Terry Branstad, former IA governor, and Gentry Collins, a former political director of the GOP National Committee. The U.S. Chamber historically held huge influence with the GOP as representing business interests but now viewed with contempt by Republican Party functionaries for embracing ESG and appeasing Socialist Democrats by agreeing on abortion rights, voting rights, and Black Lives Matter. House Minority Leader Kevin McCarthy (CA.)

[4] Morning Consult. GOP Foes of ESG Investing Say it Puts Politics Over Profits, by Claire Williams, June 24, 2021.
[5] National Review, Conservatives Waking Up: Responsible Investing could mean Left-Wing Control, by Richard Morrison, Sept. 3, 2021.
[6] National Review, The ESG Backlash, by Richard Morrison, March 9, 2022.
[7] Bloomberg. Mark Niquette and Kevin Crowley, Pence Rips ESG Investing as Injecting Left-wing Politics into Business, May 10, 2022.

refuses to meet with the old Chamber. GOP Minority Whip Steve Scalise refuses to meet with the U.S. Chamber Cong. Barr declared the ESG movement a threat to the U.S. that undermines American competitiveness and accused the U.S. Chamber of corruption by woke thinking. Conservative Rep. Brian Babin (TX.) derided the Chamber for opposing securing our southern border, resulting in illegal aliens flooding our nation with cheap labor, grabbing jobs from citizens. .[8] After the GOP assumes control of the House and Senate in the midterm elections, it will more vigorously pursue concrete legislation against ESG investing, to push corporations and the financial sector away from eco-radicals and embrace fossil fuels. GOP lawmakers also plan to squelch the radical proposed rule from the SEC that would require publicly-traded companies to disclose their climate risks and greenhouse gas emissions. Sen. Ted Cruz (TX.) blames ESG for raising gas pump prices because of several energy companies pandering to the Left.[9]

ESG COMPANY PANDERERS. The CEO of BlackRock, one of the global largest asset managers and investors, prodded companies to disclose plans for how their businesses will become compatible with a non-fossil fuel economy. The Hartford Financial Services Group refuses to insure or invest in fossil fuel companies earning more than 25% of their revenue from coal mining, coal-fired power generation, or the extraction of oil from tar sands. Bank of America, Goldman Sachs, JP Morgan Chase, and Wells Fargo no longer consider investments in fossil fuels. Boycott these companies.

STATES FIGHTING BACK. In Alaska, North Dakota, Texas, and other fossil fuel-producing states, where fossil fuel taxes infuse state budgets, state senators have introduced bills to require their respective states to stop investing in companies that use ESG strategies to make financial decisions and eliminate ties to asset managers, banks, and insurers that behave similarly. State senators fear that the ESG movement threatens the viability of industries that provide jobs and tax revenue. Because of the ESG plague, it is increasingly difficult for fossil fuel projects to find insurance and financing. Alaska Gov. Mike Dunleavy endorsed legislation to cut state ties to banks that refuse to support oil and gas exploration and drilling in the Arctic area. 53% of North Dakota tax revenue derives from taxes on oil production. Legislation there stops the state investment board from investing money in ESG-driven funds, unless such investments show an equivalent rate of return. The state bill requires the N.D. Dept. of Commerce to study how the state can entirely divest from companies that boycott energy investments. James Leiman, commissioner of the North Dakota Dept. of Commerce, told the state Senate Energy and Natural Resources Committee that the ESG movement represents the greatest challenge to the North Dakota economy since the Great Depression. Coal plants in North Dakota are closing because of market shifts and regulatory changes driven by other states that have established goals to reduce greenhouse gas emissions. North Dakota also faces a harsh federal regulatory environment, as the Biden Regime is much less friendly to the fossil fuel industry than the Trump Administration. This state law bases on model legislation developed by Jason Isaacs, a former conservative state representative in Texas who manages the Life: Powered program at the Texas Public Policy Foundation, a conservative Austin think tank. His foundation is pressing for similar legislation in Alaska, Indiana, Kentucky, Pennsylvania, West Virginia, and Oklahoma. Texas Gov. Greg Abbott signed a bill into law that prohibits his state government from conducting business with companies that boycott the oil and gas sector or firearms industry. It explicitly prohibits state and local governments from doing business with companies that divest from fossil fuels. Texas officials are asking finance companies to disclose climate policies that limit their business with energy companies. Texas Comptroller Glenn Hegar sent letters earlier this year to 19 firms probing their stances on fossil fuels and green investment funds. Most replied that they planned to continue financing fossil fuels. Florida Gov. DeSantis changed management of the state retirement investments to ban ESG. The 24 members of the State Financial Officers Foundation oppose ESG and lobbied Biden against nominating Sarah Raskin to the Federal Reserve, because she detests fossil fuels.[10] Lawmakers in Utah and West Virginia are pressuring the S&P Global Ratings to end a system that scores states based on ESG credentials.[11]

STATES THAT COLLUDE. The Oregon Investment Council approved a policy formalizing the importance of ESG factors in investment decisions. State Treasurer Tobias Read said that considering sustainability in the state $107 billion investment portfolio is not only a priority but consistent with our fiduciary responsibilities. New York State's $226 billion retirement fund in 2020 adopted the goal to set its portfolio to net-zero greenhouse gas emissions by 2040. To do so, the

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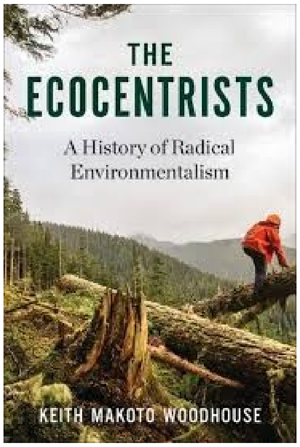
[8] Jonathan Swan, Politics & Policy. House GOP Welcomes a new Chamber, June 15, 2022.
[9] Nick Sobczyk, Republicans Plan Legislative Assault on Woke ESG Firms, June 7, 2022.
[10] National Review, The ESG Backlash, by Richard Morrison, March 9, 2022.
[11] Bloomberg. Mark Niquette and Kevin Crowley, Pence Rips ESG Investing as Injecting Left-wing Politics into Business, May 10, 2022.

state will review its investments in energy sector companies, and where consistent with its fiduciary duty, will divest from companies failing to meet minimum standards.[12]

TAKE ACTION NOW. The escalating campaign by leftists and social justice warriors to pressure private companies to adhere to aggressive ESG agendas requires an escalating campaign by fiscal conservatives to preserve our ability to invest our savings as we wish and steer away from companies that surrender to ESG. The curtailing of corporate options will threaten and restrict our freedom to choose our span of investments and our profitable returns in interest and dividends. The war against fossil fuels, if won, will raise both our transportation and home energy costs. Divest from and boycott ESG-infiltrated companies. Using the information above, lobby your representative to support **HR 7151** and subsequent legislation that will stop the ESG barrage. Next, lobby your state senator to introduce legislation that mirrors bills already passed in Texas and other states that will safeguard both personal, corporate, and state government investing. Email netaxpayers@gmail.com for congressional and state senator contact information.



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[12] Erika Bolstad, Stateline. Oil-Friendly States Fight Back Against Sustainable Investment Trend, March 14, 2021.