

# WHY YOU NEED TO UNDERSTAND THE ESG THREAT

Michael Faulkender | December 9, 2022

Environmental, Social, and Governance (ESG) investing is resulting in money managers allocating capital to meet their personal political and social goals rather than prioritizing financial security for their clients. This transformation of companies and Americans' retirement savings is causing higher energy prices, threatening national security, and undermining the incomes of America's seniors.

Imagine scoring companies on the extent to which their business practices are liberal versus conservative. Money managers then invest not based on the cash flows the companies generate or the rates of return they offer but instead based on this score. Income from retirement savings is foregone to reward companies implementing woke business practices. Here are some examples of the criteria used to calculate ESG scores:

## **Characteristics that raise your ESG Score**

- ★ [Declaring a zero-carbon footprint strategy](#)
- ★ [Gender quotas on Board of Directors](#)
- ★ [Reducing sales of legal handguns](#)
- ★ [CEO advocating against voter ID laws](#)
- ★ [Unionizing](#)
- ★ [Compensate employees for travel costs to obtain an out-of-state abortion](#)

## **Characteristics that lower your ESG Score**

- ★ [Investing in American energy independence](#)
- ★ [Hiring the most qualified person for a position](#)
- ★ [Manufacturing defensive weapons for democracies](#)
- ★ [Legally reducing the company's tax liability](#)
- ★ [Donating to politicians supporting exclusive use of the bathroom of one's biological sex](#)

Those companies that fully embrace the Left's environmental and social agenda receive high scores. In contrast, companies that support more conservative goals of equal opportunity, economic prosperity for all Americans, energy independence, peace through strength, and secure communities receive low scores. These scores are then used to allocate capital, thus determining which activities expand and which contract.

Instead of protecting hard-working Americans from liberal fund managers who are sacrificing retirement security to implement their ESG goals, the Biden Administration is working to strengthen the political allocation of capital through executive actions that cement ESG considerations. Not only has the Securities and Exchange Commission requested comment on a new emissions rule that would more than double the compliance costs of disclosure but other agencies, such as the Equal Employment Opportunity Commission and the Department of the Interior, are engaged in activities to ease and encourage implementation of ESG by private companies. Additionally, the former head of ESG investing at one of the biggest financial companies is now the Director of the National Economic Council in the White House.

Progressives have struggled mightily to implement their radical environmental and social agenda through the levers of government. Thus, they are partnering with far-Left investment managers to achieve through financial markets what they cannot achieve through the legislative process. Many progressive elites have captured the private retirement savings of the American people to force through an agenda that erodes our national, energy, and economic security. It is essential that policymakers at all levels of government identify and halt this dangerous transformation of our Nation.

