Policy Tip Sheet

POLICY ANALYSIS FROM
THE HEARTLAND INSTITUTE

ESG: Primary Architects and Implementers

Environmental, social, and governance (ESG) scores are an insidious mechanism by which ideologically aligned influential interests represented by unelected supranational organizations are attempting to "reset" the global financial system to their advantage. This emerging design would circumvent national and individual sovereignty by altering traditional financial methods of assessing risk and debt / capital allocation. This attempted shift from "shareholder capitalism" to a "stakeholder collectivism" model hinges upon assigning companies, and soon individuals, arbitrarily determined ESG scores. These scores would mandate subjective, difficult-to-define, and evaluate metrics assessing one's commitment to "climate" and "social justice" issues. [1] Essentially, poorly scored companies suffer reduced or altogether eliminated access to capital and credit, while highly scored companies receive "preferred status" capital in-flows via traditional capital and debt markets, in addition to tax credits, grants, access to "special financial vehicles," preferential contracting, and potentially other yet-to-be-determined advantages through future legislation, executive action, or international treaty. [2]

ESG's metrics have ostensibly been designed to combat systemic global problems such as climate change, racial inequality, and world hunger—in alignment with the United Nations' Sustainable Development Goals.[3] In reality, these measures will simply centralize power and control in the hands of unelected technocrats and private global institutions influenced solely by the wealthy elite who control monetary policy, capital, and credit through global central banks, where "baskets of currencies" make up the current global system. ESG is a major step toward consolidating a unitary global governance model utilizing digital identification and central bank digital currencies (CBDCs) as micromanagement tools that can be isolated upon individual transactions. ESG would therefore be a major step towards the dissolution of free markets, national sovereignty, due process under the law, and individual liberty.

Below is a brief summary of how these influential elites and organizations work hand in glove to coerce ESG compliance.

International Organizations

International and supranational organizations have been the most outspoken champions of ESG's adoption, chief among them the United Nations (UN) and its sister institutions such as the International Monetary Fund and World Bank, as well as close UN allies such as the Klaus Schwab-led World Economic Forum. ESG metrics largely adhere to the UN's 17 Sustainable Development Goals, including "zero hunger," "affordable and clean energy," "sustainable cities and communities," and "climate action."[4] To see a clear illustration of the remarkable impact these organizations have made upon the global economic community, one needs only look at the growth of the UN-backed Principles of Responsible Investment (PRI) from its creation in 2006 through 2022. PRI—an association of financial institutions, businesses, and government-related funds—included just 63 signatories in 2006, representing $6.5 trillion in assets under management (AUM). Today, PRI has grown to include more than 4,700 signatories, representing more than $100 trillion in AUM.[5]

As ESG has continued to grow in popularity in recent years, international organizations have pushed for a unitary ESG system under the governance of the International Sustainability Standards Board (ISSB), which—if ESG backers have their way—would be forced upon every single corporation—and eventually, individual—on the planet.[6]

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Or you can visit our website at Heartland.org/ESG/esg.

Asset Managers, Financial Institutions, Insurance Corporations

While these international institutions have been highly influential, they would not be able to achieve their goals without the complicity and leadership from titans of the international business community. The "Big Three" asset management firms—BlackRock, State Street, and Vanguard—are at the heart of ESG's coercive implementation, investing in companies that adhere to ESG standards, and diverting investment from poorly scored companies. These three Wall Street giants control more than $20 trillion in AUM, and own approximately 20 percent of shareholder votes in the S&P 500.[7] They wield their power with abandon; for example, they organized a takeover of ExxonMobil's Board of Directors in 2021, replacing three of its 12 members with climate activists committed to moving the company away from products that result from carbon-dioxide emitting processes, which is Exxon's primary business.[8]

The world's largest banks and insurance companies are also on the ESG bandwagon. Financial institutions such as JP Morgan Chase and Bank of America restrict lending to companies with unfavorable ESG scores, while insurance conglomerates such as AXA, Allianz, and Zurich refuse to underwrite policies for companies that do not adhere to "sustainable" practices.[9] Together, these business titans and their industry allies from approximately 45 countries have signed on to the Glasgow Financial Alliance for Net-Zero (GFANZ). GFANZ members collectively control at least $130 trillion in capital, and use these funds to achieve the Paris Agreement goals of halving net-zero carbon dioxide emissions by 2030 and achieving a full net-zero transition by 2050.[10]

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Regulators

Aiding and abetting this corporatist global alliance are governmental regulatory agencies. The European Union (EU) is the prime example of imposing regulations for sustainable business practices, and has recently announced a mandatory due diligence model upon EU corporations and their business partners, which is on the verge of becoming law.[11] In the United States, federal agencies and departments such as the U.S. Securities and Exchange Commission, and the Office of the Comptroller of the Currency have been some of ESG's chief advocates.[12] To date, President Biden has signed more than 30 executive orders related to ESG topics.[13] Even the Department of Defense has sublimated its responsibility towards the national security of the United States in favor of climate objectives; the U.S. Army has even committed to fully transforming all tactical and non-tactical vehicles into electric vehicles by 2050.[14]

International organizations, powerful business entities, and regulators are not the only actors involved in this conspiracy to reset the global capitalist system. Equally crucial to their efforts are those of central banks such as the U.S. Federal Reserve, which has printed exorbitant amounts of "free money" to prop up businesses, which allows them to focus upon non-material ESG factors at the expense of profit margins. Ultimately, the efforts of this global monopolistic array of elite organizations will do nothing less than destroy free markets, democratic processes, and individual rights. These actors, and the system they hope to impose upon us, must be stopped.

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