# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) SCORES

A BASIC PRIMER

# What is ESG?

- Environmental, social, and governance (ESG) scores are the chief mechanism by which a cabal of ideologically aligned influential interests working through unelected supranational organizations are attempting to “reset” the global financial system to their advantage.
- Rather than focusing upon profit, debt, and customer satisfaction, ESG forces companies to focus upon politically motivated, subjective goals that often run counter to their financial interests and the interests of consumers.
- This attempted shift from “shareholder capitalism” to a “stakeholder collectivism” model hinges upon assigning companies of all sizes, and soon individuals, arbitrarily determined ESG social credit scores.
- ESG scores mandate commitments to “climate” and “social justice” objectives, which draw heavily from the United Nations-sponsored Sustainable Development Goals.

# What is ESG? (Continued)

- Essentially, ESG operates by punishing poorly scored companies with reduced or altogether eliminated access to capital and credit, while highly scored companies receive substantial capital in-flows, in addition to tax breaks, grants, access to “special financial vehicles,” and preferential contracting, among other benefits.
- Ultimately, these measures are designed to centralize power and wealth in the hands of unelected technocrats, central bankers, regulators, financial oligarchs and globalist institutions.
- The full institutionalization of ESG—internationally and domestically—would represent a major step towards consolidating a unitary global governance model, ultimately causing the dissolution of free markets, national sovereignty, due process under the law, and individual liberty.

# ESG Components: The “E”

- The “E” in ESG stands for “environment,” and is geared towards achieving the UN-led goal of net-zero carbon dioxide emissions by 2050.
- According to the framework proposed by the International Business Council (IBC)—a World Economic Forum (WEF)-sponsored group of global financial elites at the heart of ESG’s development—companies must disclose (among many other metrics):

  - ***Impact of GHG (greenhouse gas) emissions:*** Report wherever material along the value chain (GHG Protocol Scope 1, 2, &3) the valued impact of greenhouse gas emissions. Disclose the estimate for the societal cost of carbon used and the source or basis for this estimate.
  - ***Impact of freshwater consumption and withdrawal:*** Report wherever material along the value chain: the valued impact of freshwater consumption and withdrawal.
  - ***Impact of air pollution:*** Report wherever material along the value chain: the valued impact of air pollution, including nitrogen oxides (NOx), sulphur oxides (SOx), particulate matter and other significant air emissions.
  - ***Impact of water pollution:*** Report wherever material along the value chain: the valued impact of water pollution, including excess nutrients, heavy metals and other toxins.
  - ***Impact of solid waste disposal:*** Report wherever material along the value chain, the valued societal impact of solid waste disposal, including plastics and other waste streams.

# ESG Components: The “S”

- The “S” in ESG stands for “social,” which is chiefly focused upon a wide range of social justice causes.
- Specifically, most of the metrics within the social component are geared towards achieving goals of diversity, equity, and inclusion, as well as general employee health and well-being. The IBC’s framework mandates disclosure of (among other metrics):

  - ***Diversity and inclusion (%):*** Percentage of employees per employee category, by age group, gender, and other indicators of diversity (e.g., ethnicity).
  - ***Pay Equality (%):*** Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.
  - ***Freedom of association and collective bargaining at risk (%)*****:** Percentage of active workforce covered under collective bargaining agreements. An explanation of the assessment performed on suppliers for which the right to freedom of association and collective bargaining is at risk, including measures taken by the organization to address these risks.
  - ***Employee well-being (#, %):*** The number of fatalities as a result of work-related ill-health, recordable work-related ill-health injuries, and the main types of work-related ill-health for all employees and workers. Percentage of employees participating in “best practice” health and well-being programmes. Absentee rate (AR) of all employees.

# ESG Components: The "G"

- The "G" in ESG stands for "governance," which focuses upon similar objectives as the social component surrounding diversity, equity, and inclusion, and other qualitative assessments of a company's purpose, ethics, and corruption.
- The IBC framework mandates disclosure of (among other metrics):
  - ***Setting purpose****:* The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.
  - ***Governance body composition***: Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.
  - ***Material issues impacting stakeholders***: A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.
  - ***Economic, environmental, and social topics in capital allocation framework***: How the highest governance body considers economic, environmental and social issues when overseeing major capital allocation decisions, such as expenditures, acquisitions and divestments.

# Who is Responsible for ESG?

ESG's architects and implementers are myriad, though the "public-private partnership" they have developed is unified in its overarching objective to subjugate free markets, implement a centralized, top-down, planned economic system, and socially engineer society.

International Organizations

The United Nations and its umbrella of sister agencies, including the WEF, the International Monetary Fund, the World Bank, and others, are some of the primary spearheads of ESG. 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." 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.

As ESG has continued to grow in popularity in recent years, international organizations have pushed for a universal 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 individual on the planet.

# Who is Responsible for ESG? (cont.)

Asset Managers, Financial Institutions, and 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.

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.

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. 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.

# Who is Responsible for ESG? (cont.)

<u>Governmental Regulatory Authorities</u>

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. This would have cascading effects upon any U.S. companies that do business within the EU, forcing them to comply or suffer the financial consequences.

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. To date, President Biden has signed more than 30 executive orders related to ESG topics. 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.

# Shareholder vs. Stakeholder Capitalism

Before explaining how ESG works and its detrimental effects, it is first important to explain its relationship to the “Great Reset” of capitalism being chiefly pushed by the World Economic Forum and its chairman, Klaus Schwab.

The Great Reset—which is being promoted by the same entities behind ESG—seeks to fundamentally alter the global economy through a strong global government and a shift towards “stakeholder capitalism.” The elites driving this shift consistently use the Covid-19 pandemic and the “climate crisis” as reasons to destroy traditional free market (shareholder) capitalism.

Stakeholder capitalism proposes that all companies should act in the interest of their stakeholders, rather than shareholders. Stakeholders can be anything from the environment, local communities, employees, unions, and most importantly: company executives. Essentially, company executives under the stakeholder model are supposed to act in ways that may not be profitable, but that supposedly benefit the world around them (and themselves).

That is where ESG comes in.

# How ESG Works

ESG is the mechanism by which stakeholder capitalism operates. It allows stakeholders (i.e., corporate executives such as Bank of America CEO Brian Moynihan and BlackRock CEO Larry Fink) to determine the specific societal “problems” companies should address.

ESG only works due to coercion from the aforementioned combination of corporate and geopolitical actors.

- Asset managers funnel clients’ money into high-scoring ESG funds, which typically exclude entire industries, such as fossil fuel extraction, gambling, drugs and alcohol, many industrial operations, and some pharmaceutical companies. Without access to capital, these companies and industries would die, which is why we are seeing ExxonMobil, for example, embracing “green energy” despite the fact that it is an oil company.

# How ESG Works (continued)

- Banks refuse to lend to or service companies and individuals that do not follow ESG’s stringent guidelines related to the climate or social justice issues. Sometimes, they will offer loans on a conditional basis—in which a company will lose access to the loan if it does not scale up its ESG adherence by a certain point in time. According to a report from Morningstar, “Most major banks screen their lending portfolios against specific ESG risks as per the negative or positive screening for potential corporate ending transactions or project finance transactions. Screening strategies filter potential transactions using predetermined ESG criteria to rule companies in or out of contention for financing.”
- In much the same way as banks, Insurance conglomerates refuse to underwrite policies for companies belonging to certain industries, which are often necessary for a company to even be able to operate, much less invest or innovate.
- Regulatory authorities and supranational governmental organizations use their political clout to stack the deck in ESG’s favor.

This coercion has been incredibly successful. Today, 96 percent of the G250—the 250 largest companies by revenue defined in the Fortune 500 ranking—produce ESG reports. Moreover, 82 percent of large corporations in the United States already have ESG systems in place.

# Negative Effects of ESG

The negative effects of ESG cannot be overstated.

One, ESG destroys free market capitalism, creating a centrally-planned economic model in which a handful of monopolistic corporations dictate who is allowed to participate in the market, and how they are allowed to conduct business.

Two, ESG erases national sovereignty and makes democratic institutions irrelevant. No laws have been passed that allow entities to be discriminated against based on their political beliefs or their adherence to subjective goals. Yet, this is happening across the entire U.S. economy. Moreover, much of this impetus is coming from international organizations, which are being given tremendous authority to supersede domestic policy. As just one example, consider Sri Lanka: after coercion from the international ESG community, Sri Lanka capitulated and decided to ban chemical fertilizers. Food production plummeted, and the economy collapsed. The country devolved into complete chaos, from which it has not yet recovered.

# Negative Effects of ESG (continued)

Three, ESG drastically reduces individual liberties. It essentially socially engineers people, by reducing or eliminating the supply of certain “bad” products (oil and gas, meat and poultry, anything made from ”too much” carbon) and incentivizing the production of “good” products (electric vehicles, plant-based meat, “sustainably sourced” goods). Plus, many micro policies such as the advent of central bank digital currencies could easily work hand in glove within the bounds of an ESG system to implement total economic surveillance and control over individuals’ wallets, courtesy of the Federal Reserve and ESG’s overseers. Lastly, by promoting diversity, equity, and inclusion in the workplace, individuals are selected for advancement based upon arbitrarily determined social groups rather than by merit.

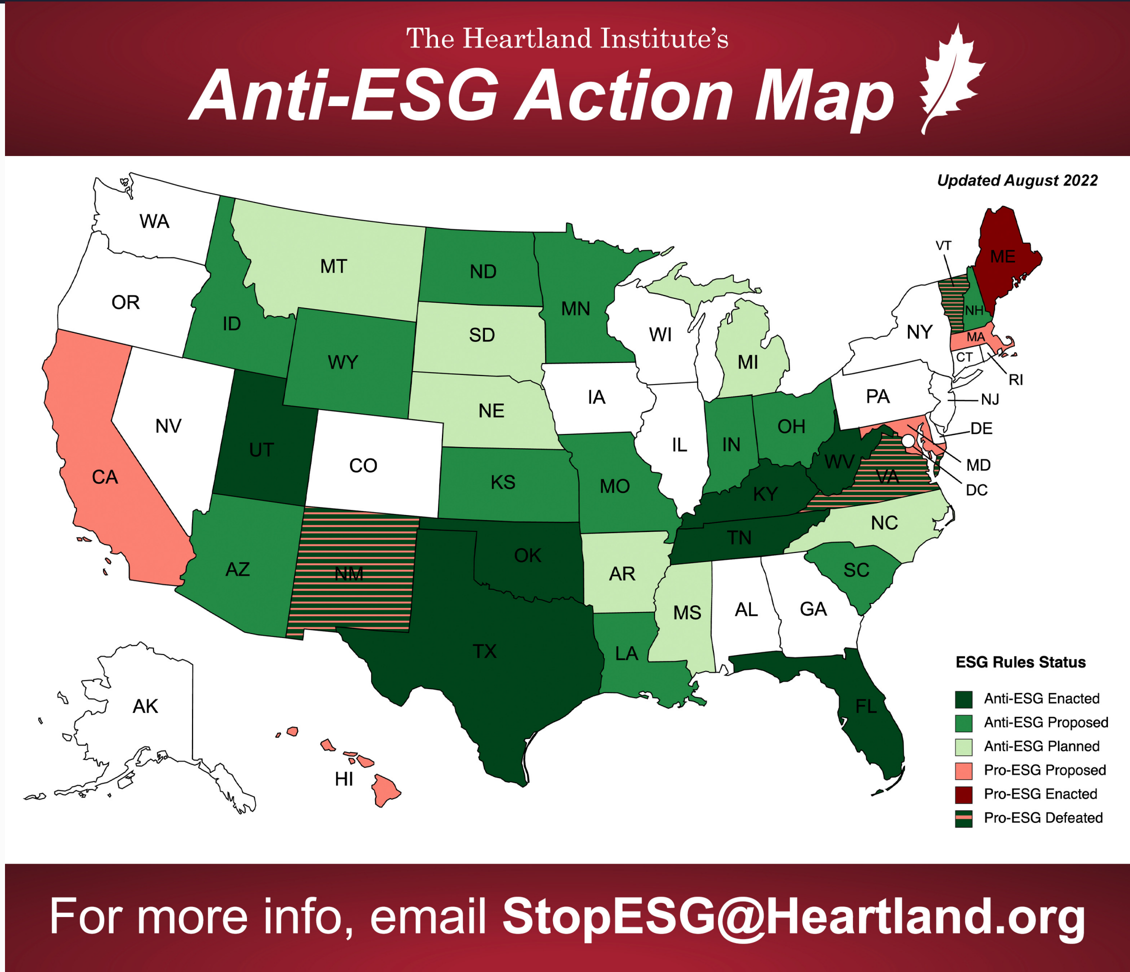
Four, ESG is harmful to the macroeconomy and our national security. ESG-centric funds have unsurprisingly been shown to perform more poorly financially than their traditional counterparts. Moreover, the economic waste of forcing companies to spend gargantuan amounts of time and resources estimating their ESG impacts is a suck upon our country’s productive capacity. Further, companies will not perform optimally if they are promoting and hiring individuals based on ethnicity or religion rather than merit. Finally, ESG would inherently destroy the entire U.S. energy grid, as wind and solar are simply incapable of replacing the energy we receive from fossil fuels. The national security of our country would be significantly reduced as well; if we cannot transport or build military equipment and vehicles due to their carbon footprint, you can bet that China and other authoritarian countries will take advantage.

# Solutions to ESG

Though there are multiple efforts to stymie ESG working their way through Congress, these bills have little chance of becoming law while President Biden remains in the Oval Office, and while Democrats control the Senate.

As such, it has fallen to states to push back against ESG. As seen in The Heartland Institute's "Anti-ESG Action Map" (to the right):

- Seven states have already enacted anti-ESG policies.
- Twelve states have formally proposed anti-ESG policies.
- Seven states are planning to propose anti-ESG policies.
- Five states have enacted or proposed pro-ESG policies.
- In three instances, states have defeated pro-ESG measures.



# Solutions to ESG (continued)

**Specifically, states have enacted or are considering enacting three primary types of anti-ESG policies.**

1. Pension fund divestment

Many states have opted to pursue anti-ESG strategies that bar state pensions from investing in ESG funds. While laudable, this approach is simply a drop in the proverbial bucket. As discussed, the powers behind ESG hold more than $150 trillion in assets between them. All state and local pension funds in the United States combine to $4.491 trillion. “Blue states” have $2.595 trillion invested in pension funds, “purple states” have $539 billion, and “red states” have $1.357 trillion. Even if every red and purple state divested from ESG-focused funds (which is unlikely to occur), the total ($1.896 trillion) would not even represent one percent of the total private capital devoted to ESG.

2. State contract prohibition

Often pursued in tandem with the pension fund divestment strategy, many states have made it illegal to execute contracts with firms that push ESG, such as BlackRock. While this is helpful, it is again only a small piece of the puzzle; the majority of the coercion inherent to ESG operates outside of government contracts, with large investment managers, banking behemoths, and insurance conglomerates pressuring small businesses and individuals to adopt ESG at the point of a sword. Non-compliance often results in financial ruin.

# Solutions to ESG (continued)

3. Anti-discrimination (“Fair Access”) banking regulations

Some states have elected to attack ESG closer to its foundations. At its core, ESG operates by discriminating against individuals, companies, and even sovereign nations based upon their adherence or lack thereof to subjective and politically motivated mandates. Large financial institutions such as JP Morgan Chase and Bank of America—among many others—are particularly guilty of this behavior; examples of this have already been legion.

According to official documentation from the Office of the Comptroller of the Currency (OCC), financial institutions have attempted to de-bank and / or deny services to myriad sectors, including health care and social service providers, family planning organizations, independent automated teller machine operators, firearm manufacturers, the agricultural industry, and multiple major energy industries vital to U.S. infrastructure and power generation, such as coal mining, coal-fired electricity generation, and oil exploration.

To combat these discriminatory practices, the OCC attempted to pass a new rule, which stated, “Consistent with the Dodd-Frank Act’s mandate of fair access to financial services and since at least 2015, the OCC has repeatedly stated that while banks are not obligated to offer any particular financial service to their customers, they must make the services they do offer available to all customers except to the extent that risk factors particular to an individual customer dictate otherwise.”

Unfortunately, this rule was put on hold within days of the Biden administration coming to power. Yet, the OCC’s rule has provided the basis for legislation at the state level attempting to protect businesses individuals from discrimination and monopolistic financial coercion. The model language in these bills represents a strong step in the right direction, and would seriously hamper the ability for ESG to permeate society if adopted by enough states.

# Conclusion

ESG is the scourge of liberty. It represents a major step towards a neo-fascist unitary governance model, in which society is enslaved and engineered by oligarchic elites, central banks, international organizations, and their subservient regulatory authorities. ESG and its creators must be combated by everyone who believes in our democratic system and individual rights.

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