

## [Securities Regulation Daily Wrap Up, EXCHANGES AND MARKET REGULATION—AFR strongly opposes Financial Services Committee’s ‘Anti-ESG’ agenda, \(Jul. 14, 2023\)](#)

Securities Regulation Daily Wrap Up

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By Carrie DeLeon

The organization asserts that the fossil fuels industry is “bankrolling” the prevalence of anti-ESG policies to further its own short-term interests without regard for the larger financial system.

Americans for Financial Reform, on behalf of labor organizations, environmental advocates, asset managers, and other state and national organizations, [sent](#) a letter to members of the House Financial Service Committee saying that the Committee’s anti-environmental, social and governance (ESG) policy threatens “investor protection and corporate accountability” and will harm workers’ retirement security, and the entire financial system. In advance of upcoming House committee hearings regarding ESG in investing, AFR said in a [letter for the record](#) that the agenda put forth by the ESG Working Group would “insulate the management of public companies from investor input and accountability,” and “undermine regulations that would equip investors with more information to make better decisions about their investments.”

Natalia Renta, senior policy counsel for corporate governance and power at AFR said that “[t]he majority’s policy agenda would insulate the management of public companies from investor input and accountability, and undermine regulations that would equip investors with more information to make better decisions.” She added that “[i]nvestors—many of whom are workers saving for retirement—deserve to have a full and complete picture when investing their money and the ability to hold companies they’re invested in accountable.”

The ESG Working Group in its recent memo said it is “imperative that corporate boardrooms not develop into partisan platforms where political agendas overshadow sound financial management.” The working group was created to develop a policy agenda to “protect the financial interest of everyday investors from progressive activists who are using our institutions to force far-left ideology on Americans.”

The working group contends that the current Securities and Exchange Commission is more focused on climate change and social justice than protecting investors. The group alleges that activists are taking advantage of the shareholder proxy system and with just a small amount of stock ownership, are “submitting hundreds of resolutions related to environmental, social, and political issues, rather than focusing on the company’s growth and competitiveness.” The group, among other things, is proposing Congress take action and raise the thresholds for submitting and resubmitting shareholder proposals, and implement other reforms to shareholder proposal procedures.

AFR, in its letter, however, points out that for many years shareholders have engaged with companies and voted their shares in line with their interests to push companies to address issues affecting their long-term investments, including those related to “workplace safety, human capital, racial equity, environmental sustainability, and workers’ freedom of association.” But Republicans in Congress are now seeking to “shut off investors’ access to these tools.”

According to the letter, the ESG Working Group opposes two important SEC proposals that would equip investors with more information to make better decisions about their investments. The SEC is proposing a rule to bring “much-needed transparency to investors about how public companies are contending with climate risk and capturing emissions reduction opportunities created by new laws like the Inflation Reduction Act,” and another rule on human capital management disclosures to provide investors with “visibility into how public companies manage their workforce.”

“Behind this policy agenda that threatens investor protection and corporate accountability is the fossil fuel industry, bankrolling efforts to protect their own short-term interests regardless of what it means for workers’ retirement security, our financial system, and beyond,” the letter states. “Unfortunately, this effort often involves the use of anti-woke rhetoric. Although woke simply means to be aware of racial and social injustices, some are using anti-woke rhetoric to fuel racial resentment in pursuit of policies that serve short-term corporate interests at the expense of working people, their retirement security, and corporate accountability.”

Better Markets Legal Director and Securities Specialist Stephen Hall issued a [statement](#) in connection with the release of a [Fact Sheet](#) regarding investing with respect to ESG factors. “Investor demand for ESG investments coupled with the strong returns such investments offer means investors need to know where companies stand on the ESG criteria and what investments incorporate ESG investing,” Hall said. “Policymakers should reject calls to stifle ESG investing and instead embrace the benefits that ESG investing offers and that investors clearly want.”

Companies: Americans for Financial Reform; Better Markets

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