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Ashcroft Requires Transparency Regarding ESG

Jefferson City, Mo. — Missouri Secretary Jay Ashcroft has submitted language to the Administrative Rules Division within his office that would implement disclosure standards pertaining to security investments and how investment advisors and broker-dealers disclose to clients investment strategies that propagate values-based agendas that are not purely focused on generating profit for their clients.

Though agenda-based parameters and platforms can be valuable, they often reduce the financial performance of a given investment strategy. The purpose of the proposed rule is to ensure financial transparency and require investment advisors to fully disclose and advise their clients of any investment strategy that is not purely financial based.

ESG (Environmental, Social, and Governance) is an example of a values-based framework that has been established to measure and quantify the degree to which an organization is operating in a “sustainable” manner.

These types of assessment methods monitor and provide information regarding an organization’s performance relating to nonpecuniary concerns such as greenhouse gas emissions, use of natural resources, and a company’s social awareness platform.

“As many mutual funds, brokerage firms, and robo-advisors now offer investment products that employ ESG principles, this rule establishes parameters that will foster full disclosure and transparency when someone is investing their hard-earned money,” Ashcroft said. “We are hopeful the legislature will take the next step and pass laws relating to full disclosure advising.”

The secretary of state’s Securities Division works to protect investors by monitoring and evaluating firms and individuals who provide investment advice to ensure they are qualified and following the law. This [proposed rule](#) that was published in the Missouri Register (starting on page 145) is intended to better protect investors from companies that engage in risky, misleading and sometimes unethical practices when investment models are utilized which are not purely profit based.

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