MEMORANDUM

From: RSC Chairman Jim Banks, Ranking Member of the Small Business Committee Blaine Luetkemeyer, Reps. French Hill, Andy Barr and Bill Huizenga
To: RSC Members
Re: ESG and The War on American Energy
Date: July 27, 2022

The War on American Energy: Ground Zero

Environmental, Social & Governance (ESG)

What it is: ESG refers to the progressive scheme through which the Left pressures corporate America to take positions on social and political issues that have nothing to do with business.

Wall Street likes to market and sell ESG or "socially responsible" funds that invest in company based on criteria like greenhouse gas emissions or executives' compensation. But ESG funds often charge higher fees and underperform when compared to a low-fee index fund—this ultimately hurts everyday investors.

Companies should focus on maximizing profit for their shareholders, instead of paying for their employees' travel expenses to get abortions.

ESG Doesn't Work:

A company's ESG ratings does not reflect its environmental impact—Exxon Mobile received a higher ESG rating than Tesla.

ESG Harms Retail Investors:

ESG funds overcharge investors but still underperform because ESG by nature prioritizes "woke" causes over profit maximization. On average, ESG funds outperform non-ESG funds but charge fees that are 43% higher.

For instance, say an ESG fund considers the oil and gas industry to be "bad" and excludes all energy investments. The S&P 500 Ex-Energy fund ***fell 17.35%*** since January 2022, whereas the Dow Jones U.S. Oil & Gas Index gained ***28.37%*** during the same time. Which would you have rather invested in?

Only 24% of retail investors can define ESG and only 21% know what the letters in ESG stand for. Yet the nation's largest asset managers have made a fortune on ESG at the expense of everyday investors.

State and federal pension funds have invested heavily in ESG funds, which means that taxpayer's retirement accounts are underperforming, and the pension funds themselves are at increased risk of requiring a taxpayer-funded bailout.

ESG Makes Energy More Expensive:

Starting in 2013, the Obama Administration tried to pressure financial institutions to stop financing politically disfavored (but otherwise creditworthy) industries, such as firearm dealers and payday lenders. The Biden Administration has now shifted their focus to bringing down the American oil and gas industry.

ESG decreases investment in oil and gas producers by choking off the flow of capital to creditworthy businesses. That's why privately held energy companies, which are generally less vulnerable to the ESG agenda, plan to increase their capital expenditures at twice the rate as publicly owned shale companies in 2022.

The Climate Activists Running the Show:

The Biden Administration has already been taken over by Green New Deal fanatics.

Brian Deese, the Director of the White House National Economic Council, formerly ran BlackRock's ESG department. The same John Kerry that signed the failed Paris Agreement is now Biden's Climate Czar. Janet Yellen's Chief of Staff was the Secretariat of the Task Force on Climate Related Disclosures. White House climate advisor Gina McCarthy was Obama's EPA Administrator and the president and CEO of the Natural Resources Defense Council. And virtually every single federal agency has established a climate hub.

Climate Regulations to Watch:

- In March, the Biden SEC proposed a rule requiring publicly traded companies to disclose fake climate statistics, even though they can't be collected and have no relevance to investing decisions.
- In May, the SEC proposed another rule to force funds and advisers to disclose the "greenhouse gas emissions associated with their portfolios." As Ranking Members McHenry and McMorris Rodgers pointed out in this letter, these proposals are outside the agencies' statutory authority and violates its core mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.
- Last year, the Department of Labor proposed a regulation directing federal pension funds to factor ESG into their investment decisions, instead of the financial wellbeing of American retirees.

Legislative Solutions:

- The Ensuring Sound Guidance (ESG) Act—Rep. Andy Barr and Rep. Rick Allen's bill would force investment advisers and ERISA plan sponsors to prioritize maximizing financial returns over fake ESG factors.
- H.J.RES.88—Rep. Huizenga and Ranking Member McHenry's resolution would rescind the SEC's proposed regulation on climate risk disclosures.
- The Corporate Governance Reform and Transparency Act—Rep. Bryan Steil's bill would rein in proxy advisory firms like ISS and Glass Lewis by requiring proxy advisory firms to register with the SEC, disclose conflicts of interest, and make their methodologies publicly available.
- The INDEX Act—Rep. Bill Huizenga's bill, co-sponsored by Rep. Blaine Luetkemeyer, would empower American investors, who are currently at the mercy of investment advisers committed to advancing the far-Left's ESG agenda, by giving them a seat at the table and providing much-needed transparency in our corporate governance system.