PRO - FAMILY LEGISLATIVE NETWORK

A DIVISION OF WALLBUILDERS

Supplemental Testimony
Regarding SB 224

Kansas Senate Committee on Federal and State Affairs

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Chairman Thompson and Members of the Committee:

This information will supplement my testimony and provide links to more information and sources on ESG and the social credit movement.

I have been working on Environmental, Social, Governance, (ESG) issues for the past two years and have worked with legislators in over 20 states the past year, I want to provide some context to help you better understand ESG, where it started and where it is going.

The term "ESG" first appears in a 2004 report issued by the UN titled "Who Cares Wins", a financial sector initiative developed by the UN and 22 large financial companies including Citigroup, Goldman Sachs, Morgan Stanley, State Street, and UBS.

Who Cares Wins got the ESG ball rolling along with the 2005 Freshfield Report that developed the "legal framework for the integration of environmental, social and governance issues into institutional investment". The world's largest banks, investment firms, and insurance companies began to develop the ESG movement with the backing and cooperation of the UN and governmental entities.

The ESG movement has continued to grow and now includes the majority of the world's largest corporations and culminated (so far) in the Davos Manifesto 2020. This Manifesto, according to another Forbes article, identified 22 core metrics for ESG reporting and another 34 more advanced metrics for phase 2. From the article "Both the core 22 and expanded 34 metrics are structured to align with the UN's 2030

Agenda for sustainable development." We can expect more of the same from the 2023 World Economic Forum (WEF) annual meeting.

Opponents to legislation attempting to level the playing field for small businesses and individuals cite two primary arguments 1) this is not really happening and 2) efforts to protect the rights of constituents and small business interfere with the free market.

Is this really happening? First, the ESG movement is broad, and the impacts are far reaching. Initially the focus was on institutional investments. For example, in 2017 State Street Global Advisors (SSGA) voted against the re-election of directors at 400 companies that SSGA said failed to make any significant effort to appoint women to their all-male boards. BlackRock has also changed its proxy voting guidelines and it is not hesitant about voting against managements that they view as not having made sufficient progress on sustainability issues.

In 2020 the Minnesota Board of Investments, the body that oversees the investment of public money, passed a resolution to adopt ESG standards and three months later voted to divest from coal. In 2021 Maine became the first state to divest public money from fossil fuels and several states are currently considering similar action.

An example of the ESG movement impacting small business is Operation Choke Point that showed how federal agencies worked hand in hand with banks to infringe on 2nd Amendment protections. Congress responded to independent bankers and stopped Operation Choke Point. This time around ESG proponents are having large corporations implement these policies. Slightly different tactic, but the goals remain the same.

Just in January a representative of the lignite coal industry testified to a legislative committee in North Dakota that insurance premiums for coal companies were being raised without cause or incident. And that some insurance providers have left the industry and state all together. Large insurance companies are all in on ESG.

Bank lobbyists have testified in several states opposing this type of legislation by stating that the banking industry does not use ESG or social credit scores when dealing with customers. But, in this article my colleague, Justin Haskins cites this:

In 2021, Sustainalytics, an ESG business owned by Morningstar, published a report titled *How Sustainable Finance is Shaping Change in Banking*. In the publication, Sustainalytics notes:

Most major banks screen their lending portfolios against specific ESG risks as per the

OECD Due Diligence guidance, and many embrace negative or positive screening for potential corporate lending transactions or project finance transactions. *Screening strategies filter potential transactions using predetermined ESG criteria to rule companies in or out of contention for financing.* Negative screening and norm-based screening involve the exclusion or avoidance of transactions not aligned with environmental, social and ethical standards. Exclusion criteria often include issues like weapon manufacturing, tobacco sales or production of fossil fuels. While negative and norm-based screening are the most popular techniques used for ESG asset management, these practices have been losing traction since 2015.

Free Market. It is true that an individual business can choose how and who to do business with. However, more and more we see large businesses, money-center banks, and insurance companies colluding to steer the economic choices of citizens with the nodding approval and privilege provided to them by government. This is not the free market, it is collusion, see this Bloomberg article on insurance industry efforts along these lines that raised anti-trust concerns.

Many are aware of the social credit system in China, we are not China, but if access to banking, to credit cards, to loans, to travel, and other goods and services is restricted by some top-down subjective measuring stick – how is that any different than state-imposed restrictions? The result for the individual citizen is the same.

Individual citizens and independent businesses cannot fight the combination of large business entities and government pursuing ESG and Net-Zero 2050 initiatives. It is up to the states to level the playing field and protect the rights and liberties of your citizens and businesses.

And the European Union will finalize new ESG reporting rules that will trickle down the supply chain and impact Kansas producers. These sweeping ESG disclosure requirements this year. These requirements will require U.S. corporations that have revenue of $150 million or more, think Apple, Ford, McDonald's, and Anheuser-Busch InBev SA/NV. These companies will be required to disclose their supply chains and anyone selling beef or dairy to McDonald's or barley to Budweiser will have their businesses scrutinized and impacted.

Just last month in Davos at the annual meeting of the World Economic Forum the CEO of Bank of America spoke of new rules to reboot capitalism. Reboot capitalism? We know what that means for our energy and production agriculture.

In my years as a state legislator and in the private sector this movement to 'reboot capitalism" is the most far reaching and coordinated effort to undermine our freedom, choices, and liberty of your constituents. Call it what you will, but the impact on the lives of your constituents from the collusion of large businesses and the federal government cannot be ignored.

Is ESG, by whatever name, a threat to your constituents or is it another conspiracy theory? Here is what BlackRock CEO Larry Fink had to say, ***"Behaviors are going to have to change and this is one thing we are asking companies, you have to force behaviors and at BlackRock we are forcing behaviors."***

The choice is simple, as lawmakers do you want your constituent's behaviors forced – or free?

SB 224 is a good start pouring sunshine on the ESG movement and informing citizens.

Thank you for your time and attention. If you have any questions please contact me, I can be reached at Bette@ProFamily.com.

For Liberty,

Bette Grande

Bette Grande

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