**"ESG Part I: An Examination of Environmental, Social, and Governance Practices with Attorneys General"**
**House Committee on Oversight and Accountability**
**10:00 AM, Wednesday, May 10, 2023**
**Rep. Gerald E. Connolly (D-VA)**

Environmental, Social, and Governance (ESG) investing, simply means investing in a way that takes cognizance of companies' environmental impact, promotion of employee safety and health, and institutional practices to prevent corruption, bribery, and poor management. And Republicans want to use the hobnail boot of the federal government to kill that investment strategy. Why? Because it serves a narrow political agenda while helping Republican donors who refuse to acknowledge scientifically backed evidence of climate change, prefer profit over employee safety, and see corruption and bribery as just the cost of doing business.

Strategic investing is a common practice. For example, index funding allows the investor to bet on the overall performance of the market rather than trying to beat it; momentum investing targets companies with a successful performance track record; and value investing focuses on identifying and buying stocks of perceived undervalued companies. Similarly, ESG is just another investing strategy and has a practiced history dating back to a 2004 report prepared by the United Nations and 20 financial firms including Goldman Sachs, Morgan Stanley, and UBS. It is absurd that Republicans are attacking the "woke capitalists" of Wall Street for considering ESG as a component of their investment strategy when in 2021, over $18 trillion were dedicated to ESG investments. That would be an extremely steep price to chalk up to "woke posturing."

Republicans suffer from amnesia when it comes to their own actions. In Fox Corporation's 2022 Corporate Social Responsibility report, the company provided "an annual summary of [their] shared value approach to [their] corporate giving, environmental, social and governance (ESG) activities." Lachlan Murdoch, Fox Corporation Executive Chair and CEO, touted the company's ESG practices in the report saying it highlights

> "…FOX's forward-thinking efforts in sustainability, employee benefits and resources, data security and more. In thinking holistically about our stakeholders, our strategic business objectives and our capacity for driving measurable impact, we are able to focus our resources to make meaningful advances in these key areas."

Furthermore, KPMG, one of the Big Four accounting organizations, found that in 2020, 82 percent of U.S. corporations are touting ESG sustainability goals in their corporate filings. It is dishonest and deceitful to cast ESG as a cudgel wielded to enforce the liberal agenda.

Consumers are already demanding that the private sector take environmental, social, and governance impacts into consideration. We have already seen industry embrace voluntary tools such as the Energy Star program to promote energy efficiency and the LEED building certifications that save money, improve efficiency, lower carbon emissions, and improve human health. And this attitude should come as no surprise when climate-fueled disasters cost the U.S. $165 billion in 2022—that is the third most costly year on record.

Regarding social practices, companies have found that diversity is not just about equity, it is necessary to achieve innovation and high-performance outcomes. A 2020 study from McKinsey & Company found “companies in the top quartile of gender diversity on executive teams were 25 percent more likely to experience above-average profitability than peer companies in the fourth quartile,” and in the case of ethnicity and diversity “companies in the top quartile outperformed those in the fourth by 36 percent in terms of profitability.”

Lastly, when it comes to governance, no practice is more vital to a business than respecting the rule of law. The Tax Justice Network found that “tax abuse by multinational corporations and rich people costs about $483 billion.” Knowing this, I again call for much needed Internal Revenue Service (IRS) funding. We cannot continue to allow millionaires to go unaudited knowing the under resourced IRS is ill-equipped to face their army of lawyers. Additionally, the 2022 Official Cybercrime Report predicts the cost of cybercrime will rise to $8 trillion this year. These costly consequences make it clear that cybersecurity, privacy practices, and management structures cannot go ignored. If the GOP wants to be consistent with their free market principles, they should take their heads out of the sand and respect what market forces demand in our 21st century world.