

# ESG: An Attack on Liberty

What is ESG? ESG stands for environmental, social, governance. Large corporate directors and business investors, with “indirect” input from the federal government, designate these scores based on how well the person or small business or company adheres to a number of policies, such as “green” climate change-inspired policies, opposition to the use of fossil fuels, opposition to production agriculture, opposition to gun manufacture, beliefs about racial equity informed by Critical Race Theory (CRT), including anti-racism, white privilege, etc., support for abortion on demand and/or adherence to LGBT ideology.

Is this really an issue? Yes. It has become a trend to deny loans or investment capital if a company’s ESG score is not high enough, meaning the company does not adhere strongly enough to the aforementioned policies. This poses a significant threat to individual liberty and the free market economy, seeking to impose progressive and liberal beliefs and values on other businesses and eventually families and individuals. A 2023 report by the International Federation of Accountants and the Association of International Certified Professional Accountants found that 95 percent of large global companies produce ESG reports each year. I met with a manufacturer recently who is seeking to raise its ESG score, indicating pressure from other companies they work with. This manufacturer is having to increase its expenses to meet these ESG demands. This should not be happening.

Where are we at in Iowa addressing ESG? We have a bill SF 507 that was passed in the Iowa Senate last year and was sent to the House and was amended there. It was sent back to the Senate and awaits action on the Senate floor. I am hopeful we will get that passed out next year.

What does the bill do? This bill requires managers of public funds such as IPERS to consider only financial factors when making investment decisions (as has always been) and not ESG ratings. This bill prohibits these ESG scores from being used in decisions regarding investments of our public funds. A number of other states, such as Texas, have taken this exact type of action.

What about ESG affecting me as an individual? What about my local bank? Am I protected from my bank using ESG scores to determine whether I get a loan? First, you should check with your local bank/credit union. Some do use them; some do not. Right now Iowa law is silent on that. This is a protection for consumers we need to require. Some states have proposed regulations that would stop banks and/or insurance companies from using ESG when making determinations about access to banking or insurance services. This is because a number of the world's most powerful banks and insurance companies have, to varying degrees, weaponized ESG to screen out businesses and even some individuals who refuse to comply with those institutions' social justice or environmental policies.

Although there are many examples of financial institutions flexing their muscles as a tactic to create larger social changes, perhaps the most economically important is that virtually every large bank in the United States has committed to forcing the businesses they work with to phase out their use of fossil fuels—even if it causes economic harm to customers and business.

If fulfilled, these pledges would necessitate that banks eliminate all or nearly all lending and banking activities with customers who use fossil fuels, including individuals who drive gasoline-powered motor vehicles, significantly impacting virtually every family and industry in the United States.

On May 2, 2023, Florida Gov. Ron DeSantis signed into law historic legislation that restricts banks' use of ESG metrics, the first time such a ban has been established at the state level. Some have claimed that states, including Florida, have no right to prevent banks from imposing ESG standards on their customers. They have claimed state policymakers do not have authority to regulate many of the largest banks operating within their state's borders, because federally chartered banks can only be regulated by federal agencies. Supreme Court rulings reinforce existing federal law which does grant states the power to regulate banks' use of ESG and other forms of social credit scoring under federal consumer protection laws. Iowa should follow Florida's example.

The ESG social credit scoring system is very similar to what is used in Communist China to control its people and coerce them into adopting government-preferred beliefs and behaviors. Our federal government uses various financial incentives and other forms of economic and social

pressure to get private business to do the same thing. It is unacceptable and outrageous and should not happen.

For more in-depth study of this issue please see: <https://heartland.org/wp-content/uploads/2023/11/Oct-23-ESG-Legal-Authority-1.pdf>

## **DEI Programs at Regent Universities**

The legislature passed a law requiring a study be done of the DEI (Diversity, Equity, and Inclusion) initiatives and programs on our Regents university campuses. DEI programs are an outgrowth of critical race theory (CRT) which has been prohibited at Regents universities for a couple years now. To review, CRT is an intolerant Marxist philosophy that instead of being class-based, it is race-based, sexual orientation-based, or gender identity-based. It insists on practicing a form of discrimination that is antithetical to the American constitutional values of equality and freedom of speech. DEI programs and initiatives have been teaching and promoting CRT for a number of years, thus sowing division, strife, and hostility between people. Traditional training based on our constitutional 1<sup>st</sup> Amendment rights and values of freedom, equality and respect for all, no matter their race or sex, always remains encouraged.

### **The Board of Regents has adopted these DEI Study Group recommendations as requirements for the Regent universities:**

1. Restructure the central, university-wide DEI offices to eliminate any DEI functions that are not necessary for compliance or accreditation. Support services in these offices must be broadly available to all students and/or employees, subject to applicable state or federal eligibility requirements.
2. Review all college, department, or unit-level DEI positions to determine whether DEI specific job responsibilities are necessary for compliance, accreditation, or student and employee support services. Any position responsibilities that are not necessary for these purposes shall be adjusted or eliminated. Position and/or working titles shall be reviewed to ensure they appropriately reflect position responsibilities.
3. Review the services provided by offices currently supporting diversity or

multicultural affairs in other divisions of the university to ensure they are available to all students, subject to applicable state or federal eligibility requirements. Program promotional and informational materials and websites shall be updated to clarify that the mission of these offices is to support success broadly.

4. Take reasonable steps to assure the following:
  - a. No employee, student, applicant, or campus visitor is required to submit a statement of commitment to DEI or be evaluated based on participation in DEI initiatives, unless the position is required for DEI-related compliance or accreditation.
  - b. No employee, student, applicant, or campus visitor is compelled to disclose their pronouns.
5. Develop a Board policy prohibiting the consideration of race and other protected class characteristics in admissions that is consistent with the law.
6. Initiate a review of DEI-related general education categories and update category names to accurately reflect the array of options students may select from to satisfy these requirements and ensure a breadth of offerings.
7. Standardize issuance of annual employee guidance regarding the separation of personal political advocacy from university business and employment activities.
8. Explore potential recruitment strategies for advancing diversity of intellectual and philosophical perspective in faculty and staff applicant pools.
9. Develop a proposal, including cost, to establish a widespread initiative that includes opportunities for education and research on free speech and civic education.

Here is the full report:

[https://www.iowaregents.edu/media/cms/1123\\_ITEM\\_11\\_DEI\\_Study\\_Group\\_Report\\_CBA91840D4213.pdf](https://www.iowaregents.edu/media/cms/1123_ITEM_11_DEI_Study_Group_Report_CBA91840D4213.pdf)

We will be monitoring Regent university compliance with these excellent requirements adopted by the Board of Regents.

# Anti-Semitism

The Board of Regents has issued a statement in support of Israel.

<https://iowastatedaily.com/284327/news/board-of-regents-issue-support-for-israel/>

In an exchange with a member of the Board of Regents I learned that we have not had the same problems with anti-semitism that other universities around the country have had. Our Regent university presidents say they are not aware of any incidents of harassment related to anti-semitism on their campuses. That is a good thing and I was glad to hear it. Now, there have been anti-Israel demonstrations in Iowa City, but they were not sponsored by the university or by registered student groups. The U of I College Democrats did issue a statement against Israel, but were criticized by the Iowa Democratic Party. And the ISU College Democrats responded by disaffiliating their organization with Iowa Democratic Party in support of the U of I College Democrats. That is all I am aware of at this time.

Feel free to contact me with ideas, thoughts, and concerns. My phone is 319-987-3021 or you can email me at [sandy.salmon@legis.iowa.gov](mailto:sandy.salmon@legis.iowa.gov) . I want to hear what you are thinking and will listen to your input. Together we will work to make a difference for the future of Iowa. Thank you very much for the honor of representing you!

Sincerely,

***Sandy***