POLICY TIP SHEET

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ESG: A simple breakdown of its components

Environmental, social, and governance (ESG) scores are an insidiously envisioned mechanism by which ideologically aligned influential interests represented by unelected supranational organizations are attempting to "reset" the global financial system to their advantage. This emerging design would circumvent national and individual sovereignty by altering traditional financial methods of assessing risk and debt/capital allocation. This attempted shift from "shareholder capitalism" to a "stakeholder collectivism" model hinges upon assigning companies, and soon individuals, arbitrarily determined ESG scores. These scores would mandate subjective and difficult-to-define and evaluate metrics assessing one's commitment to "climate" and "social justice" issues.[1] Essentially, poorly scored companies suffer reduced or altogether eliminated access to capital and credit, while highly scored companies receive "preferred status" capital in-flows via traditional capital and debt markets, in addition to tax credits, grants, access to "special financial vehicles," preferential contracting, and potentially other yet-to-be-defined advantages through future legislation, executive action, or international treaty.[2]

ESG's metrics have ostensibly been designed to combat systemic global problems such as climate change, racial inequality, and world hunger—in alignment with the United Nations' Sustainable Development Goals.[3] In reality, these measures will simply centralize power and control in the hands of unelected technocrats and private global institutions influenced solely by the wealthy elite that control monetary policy, capital, and credit through global central banks, where "baskets of currencies" make up the current global system. ESG is a major step toward consolidating a unitary global governance model utilizing digital identification and central bank digital currencies (CBDCs) as micromanagement tools that can be isolated upon individual transactions. ESG would therefore be a major step towards the dissolution of free markets, national sovereignty, due process under the law, and individual liberty.

Below is a brief description of each of the three categories comprising a company's risk assessment based upon ESG metrics, using one of the most commonly used ESG frameworks developed by the International Business Council (IBC).[4]

E=Environmental

Environmental controls are at the forefront of all ESG systems. Under ESG, companies are mandated to disclose all climate-related business activities. According to the IBC's framework, companies must disclose all greenhouse gas emissions, implement the recommendations of the Task Force on Climate-related Financial Disclosures, report the number and area of sites owned, leased, or managed in or adjacent to protected areas and/or key biodiversity areas, and estimate water consumption in regions with high water stress.[5] Companies that do not adhere to these disclosures are scored poorly, which restricts their access to capital, especially by asset management firms such as BlackRock, which use passive investments from clients to push political goals.[6]

S=Social

ESG systems are also infused with social justice objectives. The IBC framework punishes companies for having disproportionate ethnic employee ratios, pay inequality, and insufficiently justified wage levels, among other metrics. For example, if certain corporate boardrooms comprise qualified and capable individuals who have been subjectively determined to belong to an "unfavourable" social group, the company would be downgraded in its ESG score because of its non-diverse ethnic composition, whether or not it might be a socially valuable and profitable enterprise. Such a system undermines basic human rights, individual liberty, and free markets, while promoting judgment based upon one's subjectively determined social group, ultimately leading to disharmony and inefficiency in business practices. It eviscerates individual advancement based upon demonstrated capability and merit, ironically promoting a form of discrimination the system has ostensibly been designed to combat.

G=Governance

ESG's governance component is highly correlated to its social counterpart, with the aforementioned example regarding corporate boardrooms highly related. IBC's core metrics for governance include "setting purpose," "governance body composition," "anti-corruption," and "protected ethnics advice and reporting mechanisms," among others. These metrics are often qualitatively determined by a body typically selected and/or influenced by the coalition of asset management firms, financial institutions, insurance agencies, and regulatory authorities at the heart of ESG's proliferation.[7]

Overall, while the ESG system's stated goals are superficially admirable, it supplants free-markets and individual choice, which are the most effective methods to alleviate societal issues. Instead, under ESG's guise, a small selection of elites—usually not democratically elected—seek to promote their ideological goals while enriching themselves, perpetuating crony capitalism, and consolidating massive power, akin to the 'managed capitalism' of authoritarian regimes of the 1930's and 1940's.

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References

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