

# [***What Is ESG Investing And Why Republicans Are Trying To Ban It From Retirement Funds***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:67MH-B661-DXVP-53TM-00000-00&context=1516831)

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**Length:** 868 words

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**Highlight:** ESG assets are expected to top $33 trillion by 2026 but increasingly, Republicans argue the investing practice undermines key protections for retirement savings.

**Body**

**Topline**

The Senatepasseda bill Wednesday that would block a Biden rule allowing retirement funds to take into account environmental, social and governance (ESG) investing, which helps screen investments based on socially conscious factors intensifying a GOP push to challenge a "woke" practice that's garnered widespread adoption on Wall Street and trillions of dollars in investor funds (though Biden is expected to veto the bill).

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Texas Attorney General Ken Paxton speaks to reporters outside the Supreme Court

The Washington Post via Getty Images

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**Key Facts**

ESG investing considers non-financial factors in investment decisions, factoring in social accountability, which, for example, can ban investments in gun and fossil fuel companies.

The practice has picked uptractionon Wall Street as companies aim to bolster their social and environmental efforts, but increasingly, Republicans havecriticizedESG investing, saying financial institutions should not use their power to invest in so-called woke political agendas.

On Tuesday, the House passed a bill introducedby Republican Representative Andy Barr (R.-Ky) to block the Labor Department rule allowing fund managers to consider ESG practices for retirement plans, citing that retirement plans should focus solely on maximizing returns instead of woke agendas.

The Senate then passed the bill Wednesday in a 50-46 vote, with Democrats Sen. Joe Manchin (W.Va) and Sen. Jon Tester (Montana) crossing party lines to support the effort, which will send the bill to Biden s desk, where he is expected to veto it.

Criticism of ESG investing escalated last week when 25 GOP-led states asked a federal judge to block a Biden Administration rule that took effect on January 30 and allows retirement plans to consider ESG factors in their investment decisions.

The group, which filed alawsuitin federal court seeking to block the rule completely, argues the ESG provisions "undermine key protections for [the] retirement savings" of 152 million workers by placing a focus on "woke" social rules, rather than financial returns.

The lawsuit further claims the ESG provisions conflict with tax and labor law requiring retirement advisors to act in the best interests of their clients and put clients' interests above their own by allowing the advisors to prioritize their own ESG policy preferences instead of long-term financial returns.

However, the Labor Department and proponents of the rule contend ESG factors are relevant to financial returns, as investments subject to climate change risks can ultimately impact profits.

While no federal laws have been passed to completely ban state assets from being invested in ESG strategies, several Republican states including Iowa, Wyoming and North Dakota have enacted their ownlawsprohibiting investments using social factors for investment strategies.

**Big Number**

According to PwC, ESG assets areexpectedto eclipse $33 trillion by 2026 commanding some 21.5% of total assets under management.

**Key Background**

During the Trump Administration, the Labor Department passedrulesdiscouraging ESG investing in retirement plans. The rules stated fiduciaries for private pension plans in the Early Retirement Income Security Act of 1974 could not provide investments in ESGs sacrificing investments returns. However, in November, President Joe Bidenloosenedthe rules and made it easier for employers to consider climate change and other ESG investments for their 401(k) plans. As Republicans look to squash state assets being used for any type of ESG or social impact investments, local banking groups have alsopushed backagainst laws barring such investments.

**Tangent**

Vivek Ramaswamy, a multimillionaire financier who announced his bid for the 2024 GOP nomination thisweek, rose to prominence in right-wing circles for his criticism of woke capitalism. Ramaswamy wrote letters to bothAppleandDisneyCEOs, urging them to stop hiring practices based on race, sex and ***politics***, and to abstain from making political statements on behalf of the company respectively. His investment firm has also criticized BlackRock, the world s largest asset management company, for its ESGpractices, which have drawn theireof Republican states. In August, a group of 19 state attorneys general wrote aletterto Blackrock's billionaire CEO, Larry Fink, claiming the firm's ESG practices are detrimental to their state pensions, and in the following months Republican-led states includingFlorida,MissouriandLouisiana collectively pulled more than $3 billion out of BlackRock pension funds, citing the ESG policies.

**States Seeking To Ban Esg In Retirement Plans**

* Alabama

1. Alaska
2. Arkansa
3. Florida
4. Georgia
5. Indiana
6. Idaho
7. Iowa
8. Kansas
9. Kentucky
10. Louisiana
11. Mississippi
12. Missouri
13. Montana
14. Nebraska
15. New Hampshire
16. North Dakota
17. Ohio
18. South Carolina
19. Tennessee
20. Texas
21. Utah
22. Virginia
23. West Virginia
24. Wyoming

**Further Reading**

Trump s 2024 GOP Competition: Investment Firm Manager Vivek Ramaswamy Announces Run For President(**Forbes**)

* Alabama

1. Alaska
2. Arkansa
3. Florida
4. Georgia
5. Indiana
6. Idaho
7. Iowa
8. Kansas
9. Kentucky
10. Louisiana
11. Mississippi
12. Missouri
13. Montana
14. Nebraska
15. New Hampshire
16. North Dakota
17. Ohio
18. South Carolina
19. Tennessee
20. Texas
21. Utah
22. Virginia
23. West Virginia
24. Wyoming

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