



ESG Legislation in the First Six Months of 2023.

Environmental, social and corporate governance (ESG) is an investment strategy involving the consideration of a company's environmental impact, social impact and governance history. These considerations are used to determine whether and where they will invest funds. ESG is also referred to as socially responsible investing or sustainable investing.

Interest in ESG investing has grown in the private sector. Many large investing firms have begun to offer information about the impact of investments. This offers flexibility for investors to put their

money towards “better” investments. The European Union (EU) has been the epicenter of ESG investing. The EU has taken steps to improve corporate transparency and aid ESG. For example, the EU increased reporting requirements for financial firms and companies.

Regulatory action on ESG investing in the United States had been sparse. However, there has been an increase in legislation on ESG investing. This growth has occurred at both the state and federal levels. The trend is driven by recent actions by the Biden administration as well as Republicans' focus on the so-called “culture wars”.

Over two-thirds of U.S. state legislatures have considered anti-ESG legislation in 2023, and 14 states have enacted legislation restricting the use of ESG factors in public investments and procurements. On the other side of the debate, just one pro-ESG bill has become law and only 11 states have even considered such legislation. While

consumer demand for ESG investing has grown, the data in this report shows a wave of anti-ESG legislation rising to challenge that trend.

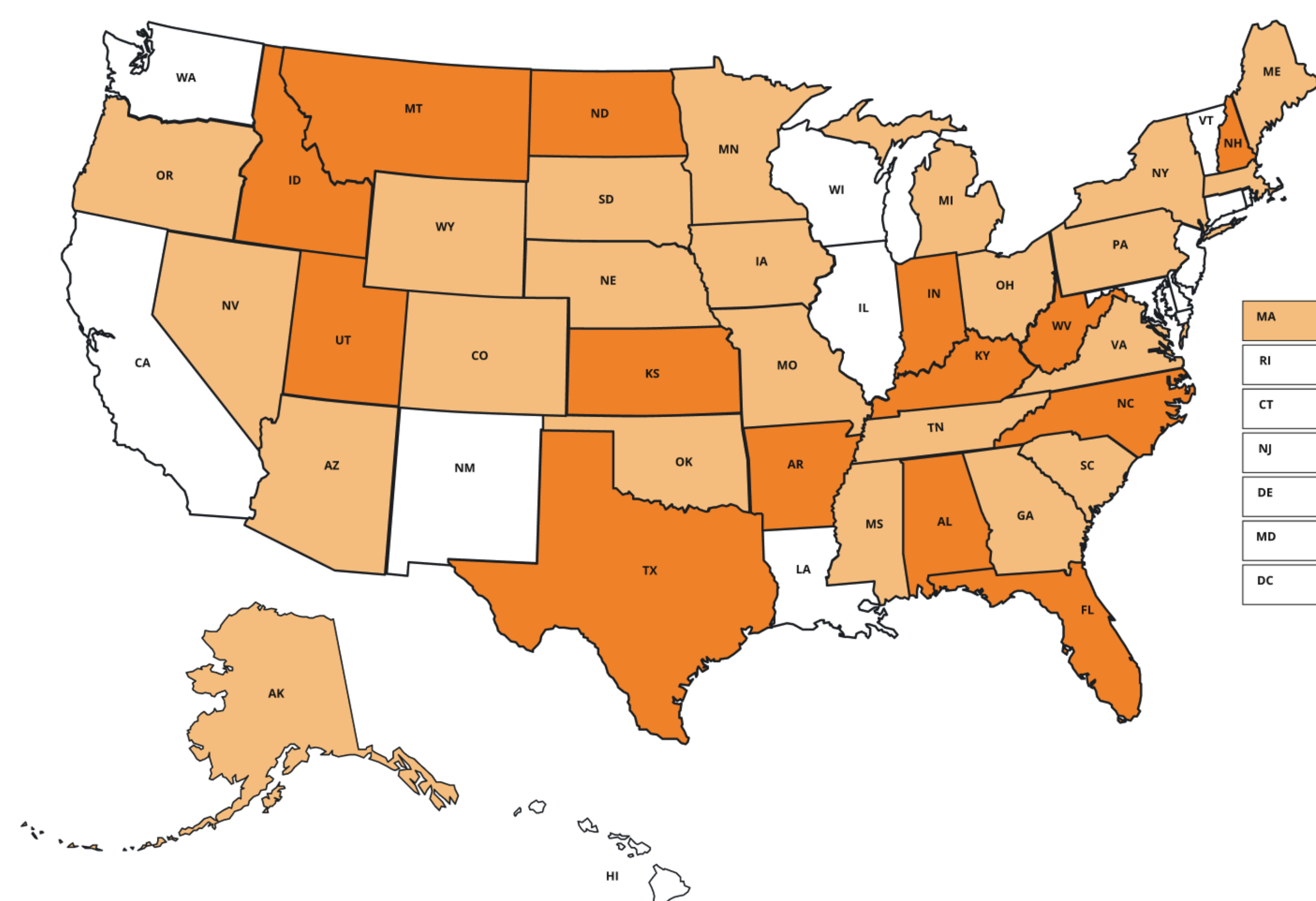
The Plural team sought to better understand legislation regarding ESG investing. To do so, we analyzed the 2023 legislative sessions of all 50 states, US Congress and Washington, DC. This data is up-to-date as of July 19, 2023.

ANTI-ESG LEGISLATION

So far in 2023, 156 bills targeting ESG investing or contracting were introduced in 37 states and in U.S. Congress. Fourteen states have passed 22 of these bills into law. Legislators in Oklahoma and Texas were most active in writing anti-ESG bills, with 17 and 15 bills introduced, respectively. Legislators in Arkansas and Utah passed the most anti-ESG laws, with four bills passed each. [View the full list of anti-ESG legislation here.](#)

Eleven states passed anti-ESG laws. Anti-ESG laws prohibit or restrict the consideration of ESG factors when investing public funds. [Model legislation](#) drafted by the American Legislative Exchange Council (ALEC) motivated many bills. As such, many anti-ESG bills closely resemble the ALEC model legislation. Kansas [HB 2100](#) became law without the Governor's signature in April. It requires fiduciaries of the Kansas Public Employees Retirement System to make investment decisions in the

financial interest of the beneficiaries, without considering ESG.



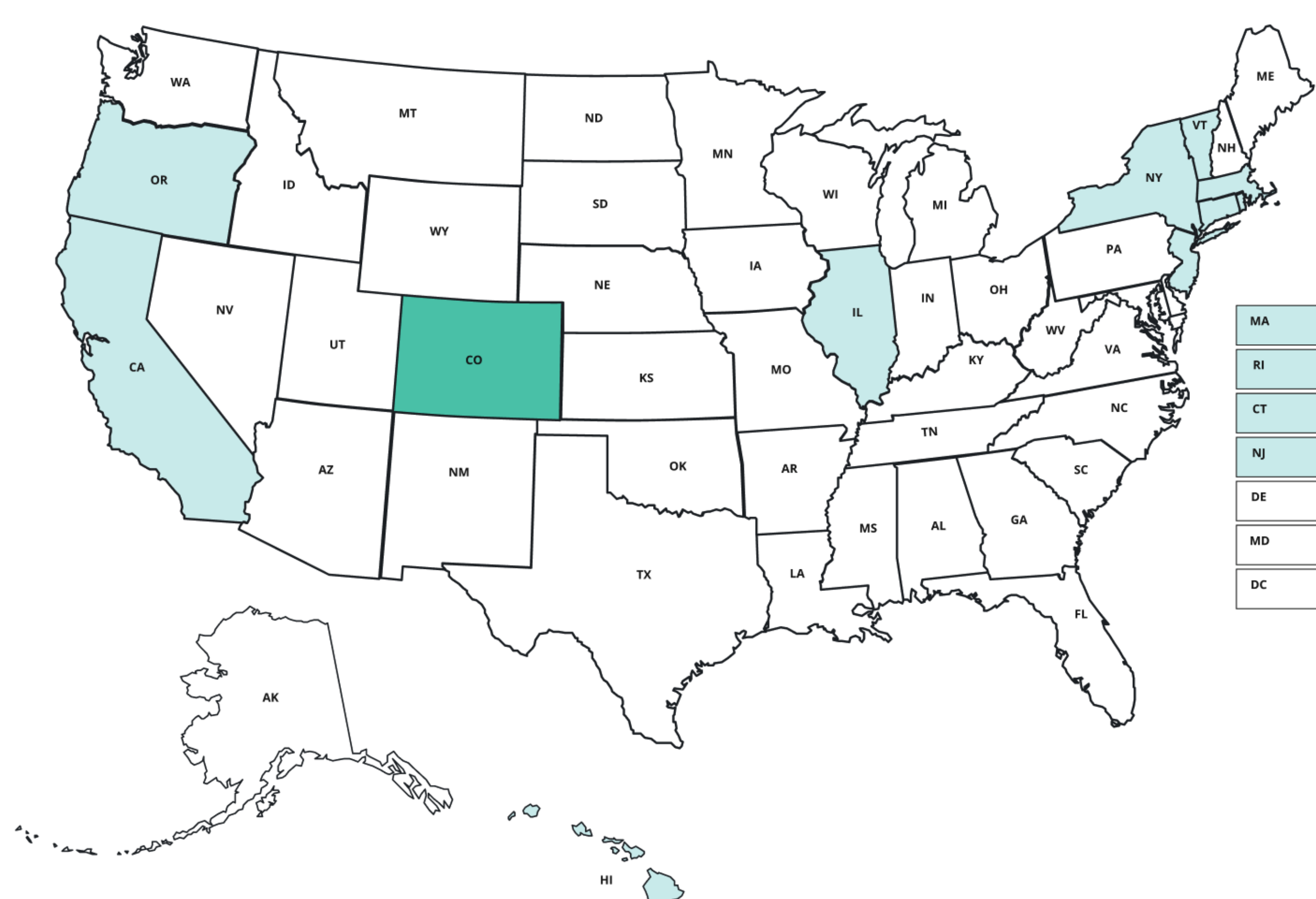
States that have introduced (light orange) and passed (dark orange) anti-ESG legislation so far in 2023.

Another popular anti-ESG proposal governs contractual agreements between government and businesses. The proposals prohibit governments from entering into contracts with businesses that “boycott” certain businesses or industries based on ESG criteria. [Alabama SB 261](#), signed into law by Governor Ivey in June, is a good example of this type of proposal. It prohibits state agencies from contracting with companies that make business decisions based off of ESG or ideological reasons. This includes companies that refuse to contract with with the tobacco, firearms and fossil fuel industries.

PRO-ESG LEGISLATION

Legislation promoting ESG investing has been less common than anti-ESG legislation. So far this year, 42 pro-ESG bills have been introduced in 11 states. Just one, Colorado [SB 23-16](#), has become law. New Jersey and Massachusetts have been most active in introducing pro-ESG legislation. Both states have introduced seven pro-ESG bills. [View the full list of pro-ESG legislation here.](#)

Pro-ESG proposals aim to decrease investments in "harmful" industries. These include the fossil fuel, tobacco and weapons industries. They also focus on increasing transparency around investments in those industries. Colorado [SB 23-16](#) requires that the state's public employee retirement system report climate-related investment risks. The law will go into effect in August.



States that have introduced (light teal) and passed (dark teal) pro-ESG legislation so far in 2023.

CONCLUSION

ESG investing has become a prevalent topic of discussion in state legislatures across the country. Understanding the state-of-play in these debates will allow you to be better prepared for their next iterations.

It's unclear how states will progress in this space, as well as how new laws will impact our economy at-large. At Plural, we're committed to increasing government transparency. This involves shedding light on laws under consideration and analyzing their impact on our communities.

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