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Battlelines Drawn Over Sustainable Finance Rules

Biden Administration likely to face pushback from powerful trade associations if it tries to overturn Trump-era rollbacks.

An analysis of recent Trump administration rollbacks reveals how carbon-intensive industries lobbied to restrict ESG investing and limit shareholder rights, and lays out the potential battlelines for future changes under the Biden Administration.

InfluenceMap's *The Battle for US Sustainable Finance Regulation* briefing note reveals the stark divisions that exist between the asset management sector and those in the real economy.

In carrying out this analysis, InfluenceMap reviewed the corporate lobbying efforts surrounding three Trump Administration changes:

- The SEC's 'modernization' of the **Shareholder Proposal Rule** which will reduce the ability of shareholders to hold companies to account on climate and other ESG issues by increasing the barriers to submitting and voting on proposals. This came into effect on Jan 4, 2021, but will apply to shareholder meetings from January 2022 onwards.
- The Department of Labor's proposed **Financial Factors in Selecting Plan Investments**, which would make it more difficult for trustees of retirement plans to direct money to ESG-focused funds. This took effect on January 12, 2021.
- The Department of Labor's **Fiduciary Duties Regarding Proxy Voting and Shareholder Rights** rule. This requires trustees to prioritize investment returns over other considerations, reducing their ability to vote on ESG proposals. This came into effect on January 15, 2021.

The findings show that when it comes to the 'modernization' of the **Shareholder Proposal Rule**, large companies operating within climate-risk industries - such as **ExxonMobil** and **General Motors** - supported the rollback. They were joined by various business groups, including the **US Chamber of Commerce**, **Business Roundtable**, and the **National Association of Manufacturers**. Most of the financial sector opposed the rollback, with the notable exception of **Vanguard**.

With the Department of Labor's two rule changes, there was a clear divide between business groups - such as the **US Chamber of Commerce** and the **National Association of Manufacturers** - which supported the changes, and the financial sector which opposed.

"This analysis appears to show that some corporations - most notably those operating within climate-risk industries - lobbied to restrict ESG investment rules, in part because of the threat it poses to their own business models," InfluenceMap analyst Rebecca Vaughan said.

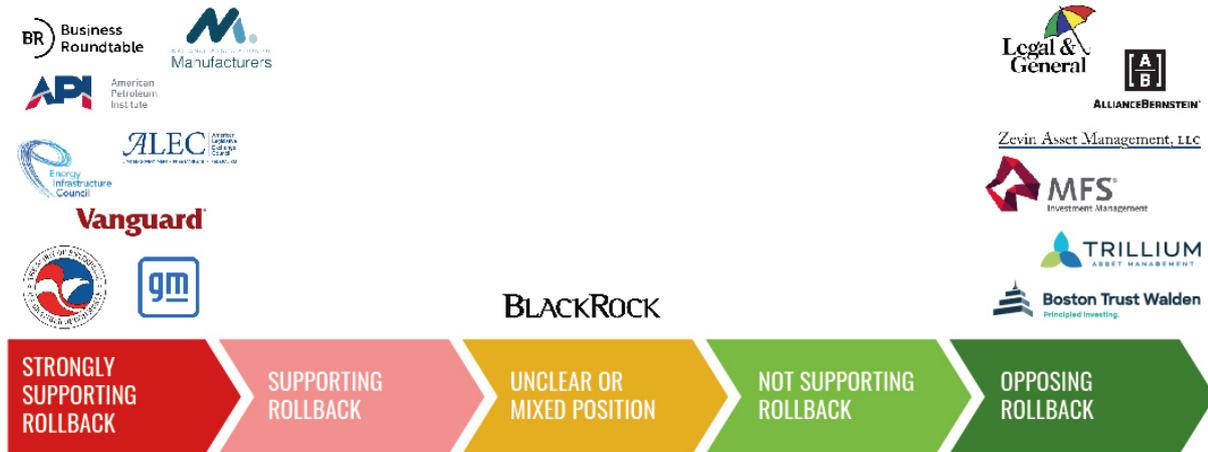
"Furthermore, if the Biden Administration decides to overturn these Trump-era rollbacks, this analysis shows where the battlelines will likely be drawn and the corporate lobbying lawmakers and regulators can expect."

Given the increasing appetite from shareholders in taking an ESG (Environmental, Social and Governance) approach to investing, it appears likely that U.S. regulators will act to expand sustainable finance rules

However InfluenceMap's *previous work* on the EU's Sustainable Finance Action Plan demonstrated that elements of the financial sector are unlikely to support stringent regulatory requirements. If the Biden administration were to propose more ambitious regulations similar to the EU plan, then we might expect the finance sector to resist this tougher approach.

Full briefing note at this landing page.

SEC's 'Modernization' of Shareholder Proposal Rule (Exchange Act Rule 14a-8)



DOL's Financial Factors in Selecting Plan Investments



DOL's Fiduciary Duties Regarding Proxy Voting and Shareholder Rights



For further information or to arrange interviews, please contact:

Simon Cullen, Communications Manager, InfluenceMap (London)
simon.cullen@influencemap.org

About InfluenceMap

InfluenceMap is a London-based think tank providing data driven analysis to investors, corporations and the media on issues related to energy and climate change. Our metrics for measuring corporate influence over climate policy are in use by investors, including the global Climate Action 100+ investor engagement process. Our content has been covered widely in global media and is used by campaign groups.