# NEWS RELEASE

## ESG will impose considerable harm on Canadian workers, doesn’t reflect the reality of how markets actually work

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**For immediate release**

**VANCOUVER**—The ESG movement—which calls for public companies and investors in public companies to identify and voluntarily implement environmental, social, and governance initiatives—will cause substantial harm to the economy and workers, finds two new essays by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Investor support for ESG is starting to wane, which isn’t surprising as the considerable harms ESG mandates pose come to light,” said Steven Globerman, resident scholar at the Fraser Institute and author of ***It’s Time to Move on from ESG***.

The essay summarizes the arguments against imposing top-down ESG mandates. In particular, evidence shows that (1) ESG-branded investment funds do not perform better than conventional investment funds, (2) companies that proclaim to pursue ESG-related activities are not more profitable than companies that do not, and (3) mandating ESG-related corporate disclosures imposes additional costs on public companies and diverts resources away from productivity-enhancing investments, harming workers.

A separate new essay in the Institute’s series on ESG, ***Putting Economics Back into ESG*** written by Jack Mintz and Bryce Tingle of the University of Calgary, highlights how the current concept of ESG mandates being pursued in Canada are incompatible with basic economic theory and fail to understand how markets actually work. As a result, ESG mandates will (1) discourage new businesses from locating in Canada, (2) investors will be reluctant to invest in Canada, (3) Canadian companies will be less competitive than their international peers, (4) capital will leave Canada for jurisdictions without restrictive ESG mandates, and (5) economic growth will slow and workers will suffer as a result.

But these harms can be minimized if the definition of what constitutes ESG is expanded, securities commissions are not tasked with regulating ESG, but instead focus on ensuring market integrity, and if governments prosecute fraud in ESG-branded funds, and likewise, governments impose liability for the use of ESG ratings, which have been found to be invalid and unreliable.

Crucially, both essays conclude that public policy objectives, such as those addressed by ESG initiatives, should be decided by and acted on by democratically elected governments, not private sector actors.

“There is no reason to believe that managers and business executives enjoy any comparative advantage in identifying and implementing broad environmental and social policies compared to politicians and regulators,” said Globerman.

“The evidence is clear—the private sector best serves the interests of society when it focuses on maximizing shareholder wealth within the confines of the established laws, not complying with top-down imposed ESG mandates that will harm the economy and ultimately Canadian workers.”

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