

March 8th, 2023  
HB 2436 - Opponent  
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TO: House Financial Institutions and Pensions Committee



Chairman Hoheisel and Honorable Members of the Committee,

Thank you for the opportunity to provide remarks on HB 2436, which would prohibit Kansas governmental entities from giving preferential treatment or discriminating against companies based on environmental, social, and governance (ESG) criteria, among other things.

**ESG is a framework for companies and investment firms that want to ensure that money is being utilized for the collective good in a broader sense by focusing on profit, people, and the planet – the ‘triple bottom line.’**

Environmental, Social, and Governance (ESG) standards are creating positive, purpose-driven financial performance by integrating deeper strategic planning and business evaluation designed to maximize profits, reduce costs and risks, and help people. In Kansas, we know that doing good business is more than just making a buck, it’s about doing right for the community – including the people and environment - you affect.

With incorporating a triple bottom line in business, companies can see better profits, economic opportunity, and customer satisfaction. Harvard Business School Professor Rebecca Henderson says *“In many situations, it’s possible to do the right thing and make money at the same time. Indeed, there’s good reason to believe that solving the world’s problems presents trillions of dollars worth of economic opportunity.”* Investment firms are realizing that this strategic approach offers a ‘value-added’ financial investment which translates into overall financial benefit.

**In our view, HB 2436 unnecessarily interferes with the positive approach by the private sector to maximize broader collective benefits, including the reduction of pollution, weapons, or social inequity. By restricting the ability of governments to differentiate those companies that are doing more/better for society through this value-added socioeconomic framework, Kansas governmental entities are shortchanging the potential of the market to impact Kansans in more comprehensive ways.**

HB 2436 is unnecessarily imposing itself on the free market. Investment firms are exchanging money in their best interest (generally offering better financial products with ESG design) and companies are adopting standards for better business. “Ideological boycotts” can be another’s risk-management strategy or corporate responsibility initiative; why would the State of Kansas not have a preference for good, ethical businesses that want to lessen their environmental footprint, reduce crime and violence, or advance diversity, equity, and inclusion? HB 2436 interferes with that market exchange and social responsibility by narrowing capital interests to profit returns versus a more sustainable triple bottom line. Indeed, there are many companies that do business in Kansas that have ESG standards, including Cargill and General Mills.

**Are there wider economic benefits for HB 2436? Other states’ ESG policies have shown to do more harm than good.**

Several analyses from economists have demonstrated that other states’ ESG policies have resulted in losses or extra costs. For example, a Wharton Business School professor and Federal Reserve economist estimated Texas’ ESG policy to cost the public as much as \$532 million in its first year. Additional analysis in January 2023 by ESI, Econsult Solutions, Inc. projected dozens to hundreds of millions in added costs for KY, FL, LA, OK, WV, and MO, in its first year of anti-ESG legislation, for a combined negative result of \$264-\$704 million.

**Sierra Club believes HB 2436 will complicate financial business and compromise corporate responsibility in Kansas. Kansas government should really promote, or minimally respect the right to utilize a triple bottom line strategy.**

Thank you for including these thoughts into your evaluation and please oppose HB 2436.

Zack Pistora | Legislative Director and State Lobbyist, Kansas Chapter of Sierra Club

*The Sierra Club is the largest grassroots environmental organization dedicated to enjoying, exploring, and protecting our great outdoors. The Kansas Chapter represents our state’s strongest grassroots voice on environmental matters for nearly fifty years.*