

How can investors address the ESG backlash in the US?

By Constance Johnson



This recent all-member event explored how the evolving US political and policy landscape is impacting global responsible investment (RI). Discussions covered the rise of anti-ESG sentiment, legal and regulatory challenges, and concerns around climate, equity and sustainability rollbacks. Panellists highlighted the need for clear frameworks, strong alignment between asset owners and managers, and transparent communication to navigate mounting risks, emphasising that vigilance in US exposure is essential for responsible global investors.



Laasya Shekaran, Director at *Pensions for Purpose*, invited *ClientEarth*, *People's Partnership* and the *Sustainable Investing Research Initiative* to explore how large, long-term investors can navigate the challenges of investing in the US while leveraging their influence to safeguard economies, communities and the planet from harmful outcomes.

Overview of US investment risks

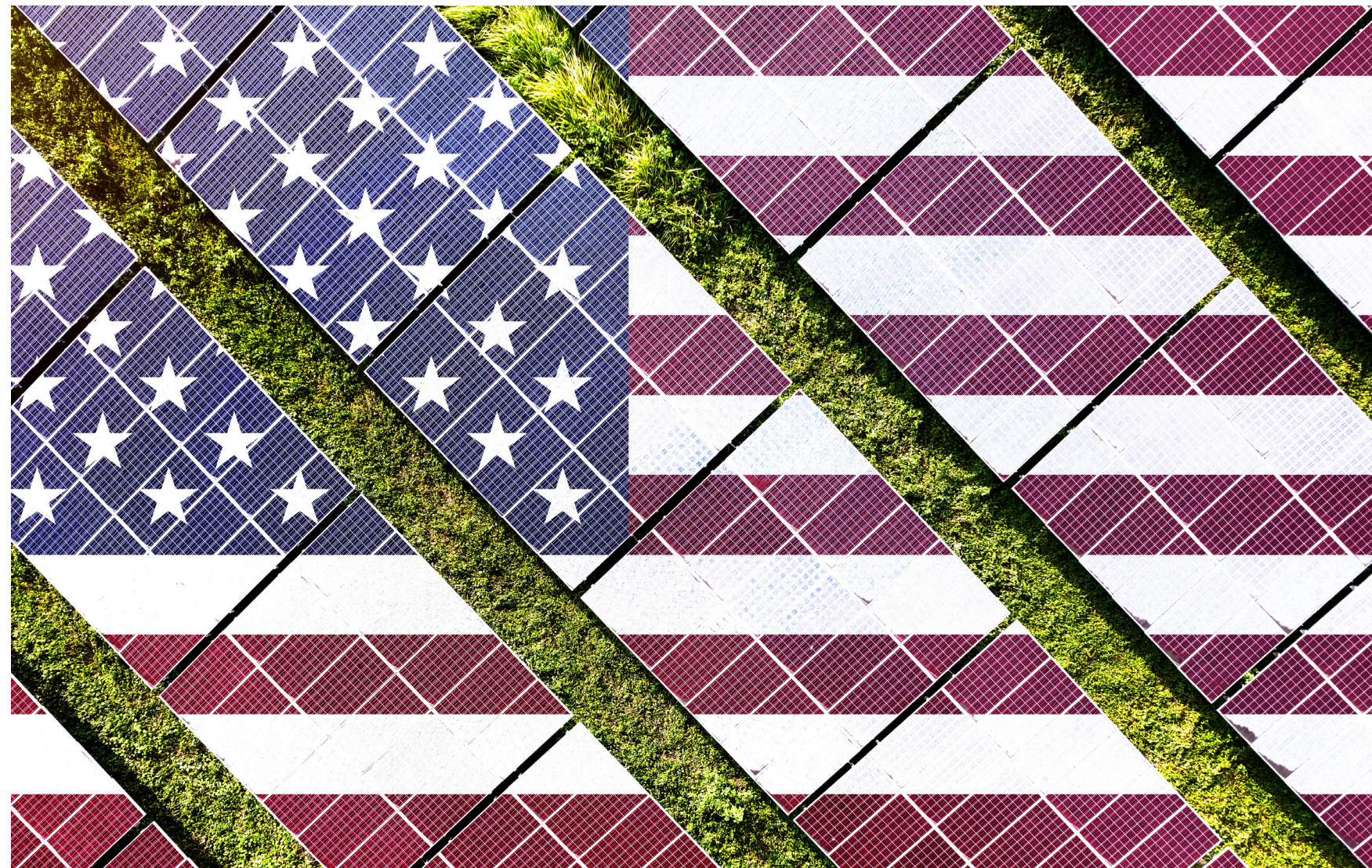


Dan Mikulskis, Chief Investment Officer, *People's Partnership*, highlighted the significance of the US market for global investors. Concerns were raised about the increasing risks associated with the US, including trade tariffs, policy uncertainties, and the potential rollback of sustainability practices. These factors collectively threaten long-term investment stability, and challenge investors to reconsider their allocation strategies and influence stewarding assets.

The legal environment surrounding ESG issues



Hana Heineken, Attorney, *Purposeful Markets*, *ClientEarth*, focused on the evolving legal dynamics surrounding ESG factors in investment. The introduction of new regulations and lawsuits, particularly those challenging the Biden



administration's ESG rule, illustrates the contentious atmosphere regarding fiduciary duties. Courts have recently upheld certain ESG considerations, yet the political landscape continues to push back against these initiatives, raising concerns about the future of ESG integration in investment strategies.

US corporate governance trends



Jon Lukomnik, Professor and Fellow, *Sustainable Investing Research Initiative*, highlighted a trend towards increased corporate governance challenges in the US, often termed 'corpocracy'. This environment fosters a culture where corporate executives operate with enhanced protections, often at the detriment of investor

rights and decision-making autonomy. The implications of recent regulatory changes and political contributions were scrutinised, pointing to a broader shift away from investor-centric governance practices.


Strategies for investors in navigating the current landscape

The panel discussion ended by exploring practical steps investors can take in response to the current challenges. There was emphasis on the importance of having robust RI policies which clearly define investment objectives, expectations for asset managers and approaches to stakeholder engagement. The need for transparency and alignment with asset managers were also cited as essential for effective stewardship in a politically charged environment.

Questions and answers

Q Is the traditional concept of ESG dead, replaced by national interests like energy security and defense? Given that ESG now varies significantly by country, and that societal risks differ from financial risks, are fiduciaries right to refocus on financially material issues like climate and step back from broader, government-driven ESG ambitions?

A **Dan Mikulskis** acknowledged elements of truth in the critique but cautioned against overly reductive conclusions. He argued that while governments did at times lean on the financial sector to drive societal outcomes, especially post-COP26, this model has clear limits. Asset owners must remain grounded in financial risk management, while recognising their measured influence on companies. Most importantly, the need for clear, institution-specific ESG policies was emphasised. While ESG can be defined in various ways globally, what matters most is how each organisation defines and implements it in line with its fiduciary duty.

 [Watch the video of the event here](#)

● Constance Johnson is Research Analyst at Pensions for Purpose



Audience feedback

Group one: moderated by **Nick Gaskell**, Sustainable Investment Manager, *Aberdeen Investments*

What are the risks and opportunities associated with investment exposure to the US?

- The room discussed the growing risks tied to the erosion of the rule of law, misinformation and unreliable government data, which creates uncertainty for investors assessing systemic and climate-related exposures.
- The increasing unendurability of climate-prone regions in the US was flagged as a major systemic threat, with insurers retreating from high-risk areas, potentially triggering a dangerous feedback loop.
- Divergent company performance underscored how US national policy shapes ESG outcomes, with rare earth miners benefiting from federal investment while solar firms face declines, demonstrating high volatility in ESG-aligned assets.

Group two: moderated by **Harry Gladstone**, Client Director, *Stewart Investors*

What should investors do to engage with their US-based asset managers?

- The group highlighted investors must define their own ESG expectations and policies before engaging with US managers, ensuring alignment and avoiding surprises.

- The importance of comparing public ESG claims with private conversations was also discussed, cautioning that asset managers may present different narratives to clients than exist on their websites.
- Participants acknowledged the ESG backlash may be partly due to poor industry messaging and called for clearer articulation of why ESG factors are material to investment performance.

Group three: moderated by **Mark Burrows**, Managing Director, Head of Capital Formation in Europe, *Quinbrook Infrastructure Partners*

How should investors think about the systemic risks associated with this ESG backlash?

- Climate change, extreme inequality, tech governance and public health emerged as long-term systemic risks with wide-ranging market implications.
- Opinions varied on whether anti-ESG sentiment is short-lived or a permanent feature of US politics, but most agreed that ignoring these issues introduces greater long-term risk.
- Rather than retreating, the group advocated leaning into ESG priorities, tailoring communications to resonate with political and public priorities, and focusing on lifecycle impacts and measurable outcomes.

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