



Out Leadership
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June 20, 2023

The Honorable Patrick McHenry (R-NC)
Chairman
U.S. House Committee on Financial Services
Washington, D.C. 20515

The Honorable Glenn Thompson (R-PA)
Chairman
U.S. House Committee on Agriculture
Washington, D.C. 20515

The Honorable Maxine Waters (D-CA)
Ranking Member
U.S. House Committee on Financial Services
Washington, D.C. 20515

The Honorable David Scott (D-GA)
Ranking Member
U.S. House Committee on Agriculture
Washington, D.C. 20515

Re: An Open Letter from Out Leadership on the Business Case for ESG Reporting & Investment.

Dear Chairman McHenry and Thompson and Ranking Members Waters and Scott:

Out Leadership is writing to you today in support of the continuation and expansion of Environmental, Social, and Governance (ESG) reporting and metrics, and to oppose the contraction or eradication of ESG policies. ESG policies, procedures, reporting, and implementation have delivered positive business outcomes, which have led to the adoption of these efforts by thousands of companies, including a supermajority of US-based Fortune 500 companies, over the last two decades. Businesses will only do what is in their bottom line, sustainable best interest to deliver shareholder value. The simple fact that companies themselves have sought to implement ESG initiatives, without regulation by Congress, is proof. Congressional limitations on ESG efforts will severely hamper companies' abilities to do better business and meet investor demand.

As the premier global LGBTQ+ business advocacy platform, which counts 88 of the world's most powerful companies as members (see Appendix I), Out Leadership understands the needs of our companies and has seen the results of ESG efforts (for more information about Out Leadership, see Appendix II).



Out Leadership has been the undisputed global voice of the business community on issues of LGBTQ+ equality since 2010. Fundamental to our mission is achieving the integration of measurable LGBTQ+ representative data for Diversity, Equity, and Inclusion (DEI) into the growing global use of ESG practice and reporting.

Despite current conversation, ESG is not a new concept. Companies have been evaluating ways to maximize returns, mitigate risks, and create business opportunities by analyzing ESG-related issues for decades. Increasingly, they recognize that understanding and reporting to shareholders on their human capital is core to a healthy bottom line, and that a workforce that is diverse, in every sense of the word, leads to better decision-making that is key to long-term success.

ESG is integral to improving consumer, employee, and investor satisfaction and, ultimately, company performance. Our research bears this out. Factors include: (1) investor demand, (2) measurable risk management, and (3) corporate culture that recruits and retains top-tier talent.

These activities are not political pandering fads – they drive results. Asking, or in the case of some Congressional leaders, demanding that companies cease diversity and inclusion activities, and now ESG efforts, are forcing companies to act contrary to their financial interests and the desires of their investors. **A company’s primary responsibility is to its shareholders, and Congress should not obstruct, but rather create opportunities in the market.**

Here is the key research that supports our position:

1. Investors are increasingly demanding sustainability.

- **The demand is clear.** According to the Global Sustainable Investment Alliance (GSIA), as of 2020, sustainable investment assets globally reached \$35.3 trillion, representing a 15% increase from 2018.¹ This indicates a significant and growing interest among investors in further incorporating ESG factors into their investment strategies.
- **There is a strong positive correlation between ESG performance and financial performance.** A study by Friede, Busch, and Bassen analyzed over 2,000 empirical studies and found a positive relationship between ESG factors and corporate financial performance in the majority of cases.²
- Research from Out Leadership and BRANDthrō surveying US CEOs and employees found that a distinctive **majority of both CEOs and employees recognize that ESG is important to their business.**³

¹ “Global Sustainable Investment Review 2020,” The Global Sustainable Investment Alliance (GSIA), 2021, <https://www.gsi-alliance.org/>.

² Friede, G., Busch, T., & Bassen, A. (2015). “ESG and financial performance: Aggregated evidence from more than 2000 empirical studies,” *Journal of Sustainable Finance & Investment*, 5(4), 210–233. <https://doi.org/10.1080/20430795.2015.1118917>

³ Preliminary analysis conducted by Out Leadership, PwC, and BRANDthrō (2023).

2. ESG mitigates business risks.

- **ESG considerations help investors assess and manage various risks associated with environmental, social, and governance issues.** For instance, companies with poor environmental practices may face lawsuits, regulatory penalties, reputational damage, or increased costs. Evaluating these factors helps investors identify potential risks and avoid investments that could be negatively impacted.
- **When boards are diverse, they perform.** Diverse boards make better decisions and lead to greater returns on investment for businesses. A Harvard study found that when Fortune 500 companies were ranked by the number of women on their boards, those in the highest quartile reported a 42% greater return on sales and a 53% higher return on equity.⁴ Companies know that diversity is good for business and are following suit – across the Fortune 500, the number of companies with LGBTQ+-inclusive board diversity policies has risen from just 2 companies in 2015 to 112 companies in 2023.⁵
- ESG-focused investments have demonstrated resilience during market downturns. A study by Arabesque and the University of Oxford analyzed 200 academic papers and found that **88% of them reported a positive correlation between ESG factors and resilience to systemic shocks.**⁶
- **Increasingly, customers look at a company’s performance on DEI when making their purchasing decisions.** A study by Bain & Company of 4,000 US consumers published in June 2023 found that 30% of Generation Z would reject a brand because of the company’s inability to share its DEI track record.⁷

3. Modern businesses and employees of the future demand ESG and LGBTQ+-inclusive diversity.

- According to a survey by Deloitte of 5,474 LGBTQ+ people across 13 countries published in June 2023, a third of respondents are actively **looking to change employers to find an organization that is more LGBTQ+ inclusive.**⁸ That same survey reveals that more than half of respondents cite a company’s external commitment to LGBTQ+ inclusion as a deciding factor on whether to apply. And one in two of Gen Z office workers look at sustainability reports when researching a job according to a study published by KPMG in January 2023.⁹

⁴ “Why Diversity Matters: Women on Boards of Directors.” Executive and Continuing Professional Education, July 21, 2016. <https://www.hsph.harvard.edu/ecpe/why-diversity-matters-women-on-boards-of-directors/>.

⁵ “LGBTQ+ Board Diversity: Progress & Possibility,” Out Leadership, April 19, 2023, <https://outleadership.com/driving-equality/board-diversity-2023-progress-possibility/>.

⁶ “From the stockholder to the stakeholder,” Arabesque, 2020, <https://www.arabesque.com/2020/02/04/from-the-stockholder-to-the-stakeholder/>.

⁷ “Does a purpose help brands grow?,” Bain, June 5, 2023, <https://www.bain.com/insights/does-a-purpose-help-brands-grow/>.

⁸ “The Deloitte Global 2023 LGBT+ Inclusion @ Work Survey reveals a third of respondents are looking to change jobs as they want a more LGBT+ inclusive employer,” (2023, June 22), Deloitte.

<https://www.deloitte.com/global/en/about/press-room/deloitte-global-2023-lgbt-inclusion-work-survey.html>

⁹ “Climate quitting—Younger workers voting with their feet on employer’s ESG commitments—KPMG United Kingdom,” KPMG, January 24, 2023,

<https://kpmg.com/uk/en/home/media/press-releases/2023/01/climate-quitting-younger-workers-voting-esg.html>.



- As many as 20% of Gen Z identifies as LGBTQ+. ¹⁰ The LGBTQ+ population is on track to be similar in size to the Black and Hispanic populations, which currently account for 13.6% and 19.1% of Americans, respectively. ¹¹ **Companies risk alienating what is set to be one-fifth of their talent pool** (as well as a much larger group consisting of allies – which represent the vast majority of Americans according to the latest Gallup poll on LGBTQ+ rights ¹²) if they fail to communicate a compelling narrative on how they support LGBTQ+ workers and the LGBTQ+ community more broadly.
- **Top companies understand the importance of inclusive business for attracting and retaining talent.** Out Leadership found that across the Fortune 100:
 - 35% of companies share the results of their LGBTQ+ Workplace Equality Indices and demonstrate the global breath of their LGBTQ+ DEI efforts.
 - 45% of companies include LGBTQ+-owned businesses within the scope of their supplier diversity program.
 - 50% of companies have joined the Human Rights Campaign (HRC) Business Coalition for the Equality Act. ¹³

Out Leadership and our member companies stand ready to continue to support Congress in protecting companies ability to do the best business on behalf of all their shareholders.

Sincerely,

A handwritten signature in blue ink, appearing to be "T. Sears", enclosed within a circular scribble.

Todd G. Sears
Founder & CEO
Out Leadership

¹⁰ “LGBT Identification in U.S. Ticks up to 7.1%.” 2022, Gallup, February 17, 2002, <https://news.gallup.com/poll/389792/lgbt-identification-ticks-up.aspx>.

¹¹ “U. S. Census bureau quickfacts: United states.” (n.d.). Retrieved July 10, 2023, from <https://www.census.gov/quickfacts/fact/table/US/RHI225222>.

¹² “U.S. Same-Sex Marriage Support Holds at 71% High.” Gallup , June 5, 2023, <https://news.gallup.com/poll/506636/sex-marriage-support-holds-high.aspx>.

¹³ Preliminary analysis conducted by Out Leadership (2023).

Appendix I

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|---|---|--|
| 1. Alix Partners | 30. Egon Zehnder | 63. Millennium Mgmt
LLC |
| 2. Amazon | 31. EY | 64. Mizuho |
| 3. American Express | 32. FCB | 65. Moody's |
| 4. American Securities | 33. Federal Reserve
Bank of New York | 66. Morrison & Foerster |
| 5. Apollo Global
Management | 34. FTI Consulting | 67. MSCI Inc. |
| 6. Bain Capital | 35. First Republic Bank | 68. National Australia
Bank |
| 7. Baker Donelson | 36. Freshfields,
Bruckhaus, Deringer | 69. Nomura |
| 8. Baker Hostetler | 37. Genesis Trading | 70. Paul Weiss |
| 9. Bank of America | 38. GLG | 71. Perpetual |
| 10. Barclays | 39. Gibson Dunn | 72. PPG Industries |
| 11. Brown Brothers
Harriman | 40. Goldman Sachs | 73. Publicis Sapiant |
| 12. BIO – Biotechnology
Innovation
Organization | 41. Greenberg Traurig | 74. PwC |
| 13. BlackRock | 42. Henkel | 75. RBC Capital Markets |
| 14. Blackstone | 43. Hogan Lovells | 76. Reed Smith |
| 15. Bloomberg LP | 44. Hogarth | 77. Ropes & Gray |
| 16. BMI | 45. Hewlett Packard Ent. | 78. Selendy & Gay |
| 17. CalPERS | 46. HSBC | 79. Shearman & Sterling |
| 18. Citigroup | 47. HSBC Life | 80. Simpson Thacher &
Bartlett |
| 19. Coca-Cola | 48. I Heart Media | 81. Sullivan & Cromwell |
| 20. Comcast | 49. IBM | 82. T.Rowe Price |
| 21. Corrs, Chambers, &
Westgarth | 50. Jenner & Block | 83. Twilio |
| 22. Covington & Burling | 51. Johnson & Johnson | 84. Unilever |
| 23. Cowen Inc. | 52. KKR | 85. Visa |
| 24. Cushman &
Wakefield | 53. KPMG | 86. Wachtell, Lipton,
Rosen, & Katz |
| 25. DE Shaw | 54. LinkedIn | 87. Walmart |
| 26. Diligent | 55. Littler | 88. Wells Fargo |
| 27. DLA Piper | 56. LVMH | 89. Zoomforth |
| 28. Dow Chemical | 57. Macquarie Group | |
| 29. Edison International | 58. Mastercard | |
| | 59. McCann Worldgroup | |
| | 60. Merryck & Co. | |
| | 61. | |
| | 62. Microsoft | |



Appendix II

Founded and based in New York City, Out Leadership is a tax-paying B Corporation, which also donates 20% of its pre-tax profits to LGBTQ+ charities. We work closely with our member companies and other partners to develop extraordinary talent, produce groundbreaking research, advance powerful advocacy, and improve business outcomes through CEO-hosted global summits and talent development initiatives in New York City, London, Hong Kong, and Sydney.

Out Leadership's 88 member companies (Appendix I) joined our coalition because they know that LGBTQ+ inclusion drives business returns across a wide spectrum of outcomes from talent attraction and development, to increased engagement, to direct business development. For 13 years, we have convened more than 112 CEO-hosted summits in five continents, engaging more than 30,000 senior executives, including 1,200+ CEOs. We have published 17 pieces of original research, most recently the Out Leadership LGBTQ+ Business Climate Index, which quantifies and tracks the impact of LGBTQ+ inclusion and discrimination across the fifty United States.