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Contact: Nicole Rosen
202-309-5724

Brandeis Center urges SEC to act on anti-Israel bias in ESG financial ratings

Washington, D.C. (August 16, 2022): The [Louis D. Brandeis Center For Human Rights Under Law](#), The Jewish Federations of North America, and American Jewish Committee on Tuesday each urged the Securities and Exchange Commission to take action on anti-Israel bias in financial ratings.

Financial ratings firms that provide specialized ratings based on environmental, social and governance (ESG) factors have been found to incorporate biased methodologies and sources that systematically produce worse ratings for Israeli companies and companies doing business related to Israel, potentially without full knowledge of the investors who rely on those ratings.

These outcomes have been hailed as victories by the Boycott, Divestment, and Sanctions (BDS) campaign to delegitimize Israel.

The ESG investment sector has grown to reach one third of funds under advisement globally, making it a significant source of investment for companies.

As the SEC prepares a regulatory rule on ESG ratings, Jewish Federations, AJC, and the Brandeis Center provided public comment ahead of Tuesday's deadline urging the regulator to take concrete actions ensuring that anti-Israel bias does not creep into ESG ratings.

The best practices outlined included for ESG raters included: more critical use of media sources, creating stronger processes for evaluating reputational risk, addressing fundamental assumptions in their methodologies and increasing transparency around them, and establishing trainings for analysts to help them avoid bias.

"Israel deserves to be held to the same standards as every other country, whether it's at international bodies or in financial ratings," said Eric Fingerhut, President and CEO of the Jewish Federations of North America. "We hope the SEC fulfills its responsibility to regulate financial institutions fairly and ensure they don't become party to discrimination and falsehoods."

"We have seen infiltration of ESG ratings systems by anti-Semitic groups like BDS, which seek to use ESG to deliberately target, isolate, and ultimately destroy the Jewish State, resulting in biased and distorted 'S' ratings for companies doing business in or with Israel," added L. Rachel Lerman, Vice Chair and General Counsel of the Brandeis Center. "The new rulemaking will require transparency across the board, and we are asking the SEC specifically to require ESG-related funds that focus on the social aspect of ESG to tell investors how they derive

ratings for such companies, how they check for and eliminate anti-Israel bias in their sources, and whether they include anti-Semitism on their human rights radar.”

“We, and others in the Jewish community who have commented on these rules have come to learn that activists of various stripes critical of Israel flying under the banner of corporate social responsibility use a multiplicity of techniques addressed by the instant proposal to pressure companies and investment advisors to discourage them from doing business with, or investing in, Israel. Many, if not most, of these techniques are invisible to investors in timely fashion,” said AJC Chief Legal Officer Marc D. Stern. “We do not seek to have the SEC bar those efforts to boycott Israel. People have the right to urge their moral vision on companies in which they invest, including urging participation in what we believe to be the unwise, even immoral boycott of Israel. But other people have a right to know of those efforts, and to oppose them to the extent that they affect their own investment decisions, whether because they don’t want to support that boycott, or because those efforts might trigger state anti-boycott laws. To be effective in those efforts, investors need to know in real time who is urging what decisions on companies, funds, and investment advisors.”

You can find the full SEC comments from Jewish Federations [here](#), from the AJC [here](#), and from the Brandeis Center [here](#).

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