ESG: A Quick Overview

ESG: Environmental, Social, Governance

ESG Theoretical Concept

- To reward corporations (or other enterprises) who are "responsible" in terms of Environmental, Social, Governance issues and, conversely, punish corporations that are not "responsible" in terms of Environmental, Social, Governance.
- There are about 20 ESG rating agencies, but the top five account for well over 95% of all ratings. (Top Five: MSCI, ISS ESG, Moody's, S&P Global, and Sustainalytics.)
- There exists no "standard" for ESG ratings. Each rating firm develops its own ratings metrics and closely guards its methodology. This is in stark contrast to familiar corporate ratings such as a financial audit. For example, several accounting firms auditing the same company's books would come up with similar audit reports because accounting standards exist that all accounting firms subscribe to. Conversely, there is no standard for ESG ratings.
- But the **ESG ratings of corporations can determine the flow of trillions of dollars of capital**.
- From an investor viewpoint, and from a "banker's" viewpoint, ESG seems to provide a metric so you can invest in companies who are "socially responsible," meaning that you can make a positive difference with your investible monies. You feel you are contributing to global sustainability.
- Only a few people understand that high ESG ratings do not correspond to a corporation's impact on the world (positive or negative). For example, McDonald's greenhouse gas emissions rose 7% over four years (generating more emissions than Portugal or Hungary because of the company's supply chain). But the rating agency upgraded McDonalds, citing the company's environmental practices that included new trash containers (that had actually been mandated by the European Union).

The Liberal Threat

- Under the guise of "socially responsible and environmentally responsible" language, liberals can manipulate information, perceptions, and trillions of dollars of money. For example, a company who is a vile polluter of streams can raise its ESG score by hiring to meet diversity goals, by conducting employee education on systemic racism, by adding females or LGBTQ+ members to its corporate board, or by installing solar panels for recharging of employees' automobiles.
- The big liberal threat is the metrics of the "S" in ESG.
- They know that how they manipulate the "S" is how they control the future.

Recommended resource: Bloomberg Businessweek Investigation, The ESG Mirage https://www.bloomberg.com/graphics/2021-what-is-esg-investing-msci-ratings-focus-on-corporate-bottom-line/?sref=nHQs8PiA

The most striking feature of the system is how rarely a company's record on climate change seems to get in the way of its climb up the ESG ladder—or even to factor at all. —Bloomberg Businessweek investigation

ADM Proposed CO2 Pipeline (Linn County and other counties)

- Driven by ESG and tax incentives (tax incentives are incredibly complex for outsiders to calculate because of the scope of businesses and utilizing some short-term losses to save taxes on highly profitable portions of the company).
- Promoted by corporations as examples of their great corporate contribution to global environment and sustainability.
- ADM's statements:

> ADM is the bridge between the producer on the farm and the consumer-facing brands in our daily lives. Consumers around the world have made it clear that they expect the products they purchase to come from sustainable sources, produced by companies that share their values like we do.
>
> In 2021, we achieved net carbon neutral status for our U.S. flour milling operations. This accomplishment is an industry first of its kind and scale. We have 22 mills around the U.S. that process wheat, sorghum and corn into flour.
>
> We achieved net carbon neutral status through a combination of **energy efficiencies, purchase of renewable energy certificates, and sequestration of carbon dioxide** at our commercial carbon capture and storage facility.
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> Around the world, we have been working to reduce the environmental footprint of our operations. At U.S. flour mills, our initiatives included energy efficiency projects, technology updates, and the replacement of older facilities with new state-of-the-art mills. Further, we lowered the carbon footprint of our U.S. flour milling network through the **purchase of renewable energy certificates** which represents electricity generation from renewable sources, such as solar, wind or hydro. Lastly, we are using **carbon capture and storage technology** to compensate for emissions generated at the flour mills, a unique way we have been able to achieve net carbon neutral status.

No American was ever offered the choice of voting for or against ESG in any election. No member of Congress who represented Americans ever voted for or against ESG. Yet ESG controls the flow of trillions of dollars and has enormous sway over the economy, over our society, and over our people. It is gleefully endorsed and promoted by the left. Unfortunately, it is also supported by greedy actors on the right who see its enormous financial payoffs in terms of money supplied by taxpayers. It's time to make it stop. It's also time to care of our environment and our society properly, not just endure this historical boondoggle.