NEBRASKA FARM BUREAU

2022 POLICY GUIDES

ESG – Sustainability

(Environmental, social, and corporate governance)

ISSUE

Environmental, social, and corporate governance (ESG) is a movement that is growing within corporate America where companies, many of them publicly traded, take stances and enact policies on major issues. Many issues in this area addressed by companies with ESG policies mirror "public perception" around environmental and social issues. Whether that public perception is perceived or accurate is up for debate. The term "sustainability" is often used alongside or in place of ESG.

Some of the actions taken by companies include setting goals for carbon neutrality, net-zero carbon, or percentage use of fossil fuels. A good example of this is Nebraska Public Power District's goal of achieving net-zero carbon emissions by 2050. It is important to note that carbon neutrality means that the company compensates for their emissions through various offsets in the carbon market, while net-zero requires complete abatement of carbon emissions through efficiencies, electrification, renewable energy, etc.

BACKGROUND

The origin of ESG can theoretically be found from a concept called "stakeholder capitalism." Those in favor of this concept say that it is the cure to "shareholder capitalism" that focused on maximizing profits for shareholders. With various stakeholders demanding particular stances from their products, companies have found themselves in situations where if their standard operating procedure were continued, they would see dips in their profit margins due to negative press. An example of this is Wells Fargo Bank who recently began divesting assets of oil and natural gas production in an attempt to support environmental movements and remove reliance on fossil fuels.

There are many ways that this can affect producers. While the Security and Exchange Commission deliberates ruling on mandates of environmental impact reporting, many companies have instituted similar mandates to those contracting with them. These types of private company driven initiatives are becoming more and more common.

For example, Nestle-Purina who contracts with producers throughout the nation and has an ESG department that works to produce contracts that meet certain standards of agricultural production. The following statement appears on Nestle-Purina's sustainability homepage. *"From the soil where our ingredients grow to our manufacturing facilities where our pet food is made, you can be confident that we're using resources efficiently throughout the journey of your pet's food."* As of now, contracts in this instance have not impacted the type of herbicide used by row crop producers or instated soil testing requirements. However, some companies have enacted similar policies.

FARM BUREAU POLICY

CLIMATE CHANGE (2020). We oppose laws or policies that implicate agricultural activity of any kind as a cause for climate change without empirical evidence.

QUESTIONS

1. Should the Nebraska Farm Bureau (NEFB) advocate for or against such company led initiatives?
2. Should the producer be left alone to negotiate whichever deal is best for them, whether or not ESG impacts their production and other producers?
3. What can be done in the areas of agricultural messaging, education, and leadership to influence this discussion?
4. Should Nebraska Farm Bureau continue to be at the table in these discussions to ensure that agriculture is not overrun with undue regulations and contractual obligations?