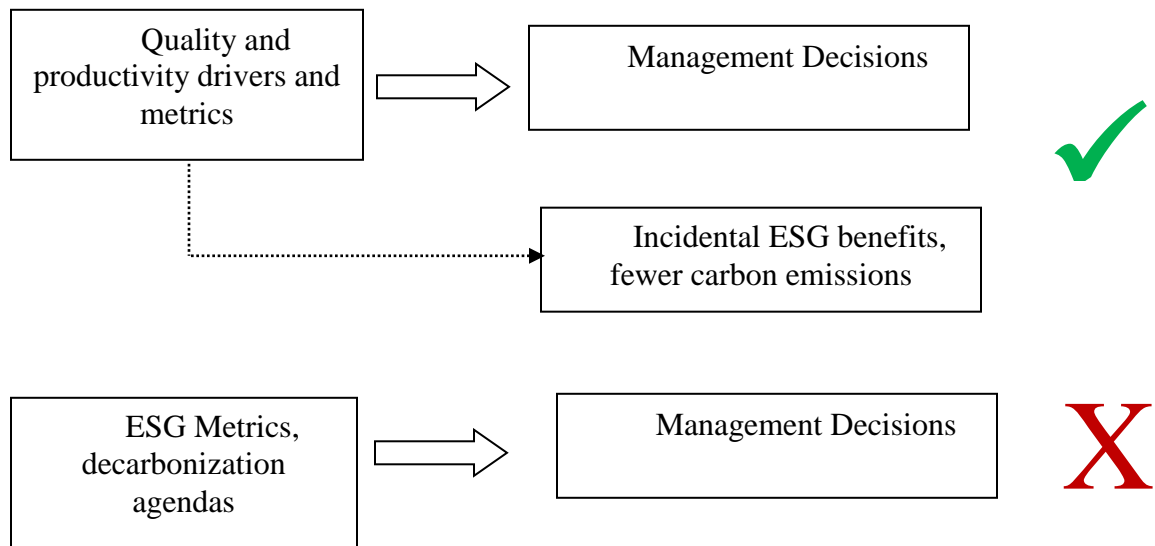


Official Statement on ESG Metrics, Climate Agendas June 11, 2023

It is the position of Levinson Productivity Systems PC that environmental, social, and governance metrics (ESG) are at best diversions from bottom line business performance and may even be dysfunctional. Some productivity and quality metrics, including avoidance of environmental and energy wastes, contribute unequivocally to bottom line performance and also support certain ESG metrics but this is a matter of putting first things first. Avoidance of energy waste, for example, reduces costs and supports the ESG goal of carbon neutrality, but subordination of performance to carbon neutrality is a disservice to customers, suppliers, investors, and employees (stakeholders, relevant interested parties). ***The Company therefore recommends against the use of, or attention to, metrics whose principal function consists of ESG virtue signaling as opposed to actual business performance.***



1. It has been opined credibly that ESG investing constitutes a breach of fiduciary duty, e.g. to pension funds and similar activities upon which people's retirements and livelihoods depend.¹

¹ As but one example, <https://businesslawreview.uchicago.edu/online-archive/trouble-tibble-environmental-social-and-governance-esg-and-fiduciary-duty> "Arguing that ESG investing is not a breach of fiduciary duty becomes more difficult when factoring the financial returns of ESG products. A 2019 University of Chicago study of 20,000 mutual funds found that 'none of the high sustainability funds outperformed any of the lowest rated funds.'" *It is particularly telling that, while many genuine quality and productivity principles such as avoidance of waste support sustainability, this was not reflected by the performance of the "sustainable" funds which suggests that whatever metrics they are using are ineffective at best.*

2. The disclaimers from at least two ESG risk rating firms to the effect that the information should not be used for selection of investments or portfolio management are reminiscent of similar disclaimers required of fortune-tellers in Pennsylvania: "For Entertainment Purposes Only." If we look at some recent events regarding companies with medium or low ESG risk ratings, it is clear that these metrics are no better than Tarot cards, palm reading, phrenology, or Ouija boards. We recall, by the way, from a night school accounting class that the instructor used the expression "to go pork" to mean insolvency, and the origin may have to do with "to go (pork) belly up." Now we can use the expression, "It became carbon neutral" because corpses, whether human or organizational, do not generate carbon dioxide and, in the case of organizations, do not generate products, services, wages, profits, or taxable economic activity either.
- FTX cryptocurrency had a medium ESG risk rating. The Company's position is that cryptocurrency investments are speculative in nature, as crypto is valuable only because people think it is valuable (like Dutch tulip bulbs of the seventeenth century). In light of the amount of energy needed to "mine" cryptocurrency, its environmental responsibility also is questionable.
 - Silicon Valley Bank had a medium ESG risk rating just before it went under. The Company's opinion of the copious ESG metrics on SVB's web site is that they related to almost everything under the sun except minding the store and prudent practices such as not tying up what should be ready cash in Treasury notes that must be sold at a loss if interest rates go up.
 - Bed, Bath & Beyond had a low (good) ESG risk rating as of April 2023. CNN's Nathaniel Meyersohn reports, "Bed Bath & Beyond says it will likely file for bankruptcy if it can't sell \$300 million in stock."² The local store is having a going out of business sale at this very moment.
 - Some other companies with ESG ratings and/or highly promoted statements about social responsibility are engaged in some very controversial practices including public relations attacks on the only country in the Middle East with equal rights for women and LGBT people, sale of unhealthy products, and providing as little value as possible to their customers. This underscores the Company's position that ESG is little more than window dressing, virtue signaling, and advertising hype that has little to do with genuine social responsibility or delivery of value to stakeholders.

See also <https://oversight.house.gov/wp-content/uploads/2023/05/Marshall-written-testimony.pdf> "Written Testimony of Steven T. Marshall, Alabama Attorney General, Before the United States House of Representatives Committee on Oversight and Accountability" "ESG threatens America's prosperity. Americans want good-paying jobs, energy independence, more money in their monthly budget, and to enjoy retirement. Because the free market would not implement ESG like the radical ESG activists demand, they must unlawfully coordinate and breach fiduciary duties... ESG also threatens America's energy independence and national security."

² <https://www.cnn.com/2023/03/30/business/bed-bath-beyond-stock-sale/index.html>

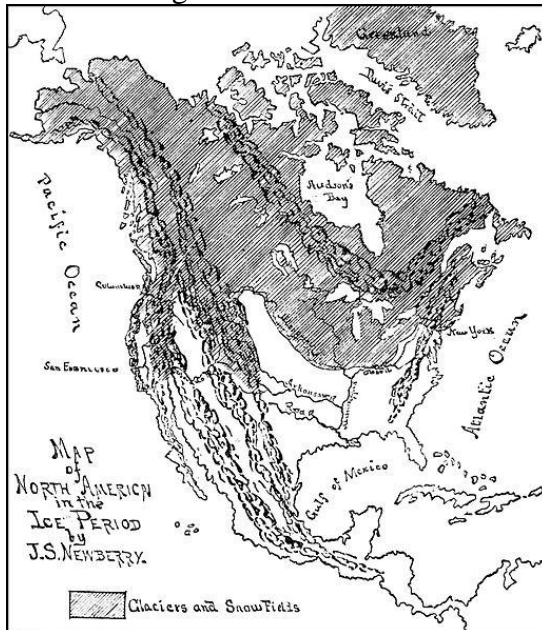
3. ESG metrics, such as decarbonization targets, alignment with global temperature increase of 1.5 degree C or less, are at best unrelated to financial performance and can even, through diversion of resources to costly and/or unproven renewable energy sources, lose money.
 - Actions that reduce waste of energy, regardless of its source, improves performance and therefore enables simultaneous lower prices, higher wages, and higher profits. This also has the side benefit of reducing carbon emissions because energy not wasted, even if from renewable sources, is probably fungible via the power grid with fossil fuels. The Company accordingly supports use of the ISO 50001:2018 standard for energy management systems, although other approaches for the detection and removal of energy waste also can be used.
 - Compliance with environmental regulations is already mandatory. The Company recommends use of the ISO 14001:2015 standard for environmental systems, and also that anything that is thrown away—as opposed to just environmental aspects—be treated as a waste of resources. Henry Ford made enormous amounts of money by either (1) not making the waste in the first place or (2) recycling, repurposing, and selling it (e.g. Kingsford Charcoal, one of several uses for waste wood) even though there were few if any environmental regulations at the time.
4. While the Company believes in climate science, and that carbon dioxide and other greenhouse gases play a role in climate change, the extent of this role in comparison to Nature itself is not fully understood. It is to be noted that the planet once had no ice caps at all (this is why marine animal fossils have been found in the western United States, which was once a sea bed)³ and also ice caps that extended as far south as the Great Lakes and the Finger Lakes in New York, both of which were created by glaciers.⁴ There were no humans around during the Cretaceous Period (when we had the Western Interior Seaway caused by high global temperatures) and it is doubtful that our prehistoric ancestors generated enough carbon emissions to get us out of the last Ice Age.

³ <https://www.usgs.gov/media/images/cretaceous-western-interior-seaway> (Public domain, U.S. United States Geological Survey)

⁴ https://commons.wikimedia.org/wiki/File:PSM_V30_D013_Map_of_north_america_during_the_ice_age.jpg public domain due to age



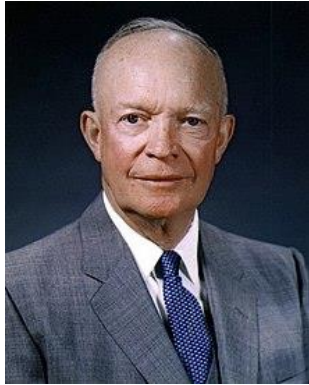
The following is known as the Laurentide Ice Sheet.



- The behavior of the attendees at the annual world climate conference (UCOP) shows that they do not believe climate change is an urgent problem themselves, so the Company sees no reason for anybody else to treat it as urgent, or pay attention to the outputs of these annual conferences.⁵

⁵ <https://www.theguardian.com/environment/2023/jan/13/private-jet-emissions-quadrupled-davos-2022> "Private jet emissions quadrupled during Davos 2022" as but one of many examples of the failure of the conference attendees to walk their talk.

- Noting however that greenhouse gases do play *some* role in climate change, and many emissions represent wasted energy or wasted materials, the Company defines the issue as "important but not urgent" in the Eisenhower priority matrix. "Important" means ongoing efforts should indeed be made to remove wastes of material and energy from supply chains, and "not urgent" means carbon neutrality, Net Zero, and so on should be ignored.



“I have two kinds of problems, the urgent and the important. The urgent are not important, and the important are never urgent.”

	Urgent	Not Urgent
Important		Reduction of carbon emissions from energy generation, transportation, and so on.
Not Important		

It is accordingly the Company's position that metrics that drive organizational behavior and decisions should be confined to those that actually support bottom line performance, occupational health and safety, and a square deal for all supply chain participants (relevant interested parties) in the form of (1) lower prices for customers, (2) higher wages for employees, (3) higher profits for investors, and (4) fair compensation for suppliers.

Levinson Productivity Systems by

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