FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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ESG Scores

Recently I incorporated ESG (which stands for Environmental, Social and Governance) scores into my corporate social credit scores, though not in the way they are normally employed. It's an investment approach that was created by woke asset managers to "mobilize" the capital of their unsuspecting customers into the dubious and wasteful pet projects of World Improvers and the ruling elite, which will eventually destroy many trillions of dollars worth of shareholder wealth. ESG scores allow asset managers to pressure corporate management (using the proxy votes they control) and publicly shame them to get on board with The Program.

Although I'm all for good corporate governance—which is often quite bad—the term can mean different things to different people. For example, I would say that it should mean actions and policies by a company's board of directors and management team that maximize the long-term value of shareholders. But most asset managers would say that "good governance" means actions and policies that benefit a wide range of "stakeholders," including employees, vendors, the environment, the government, and society at large. Oh yeah, plus shareholders. They can have whatever is left. Ready to put your money at risk?

In my research, I found a company that seems to be one of the leaders in the space, and provides free ESG scores for over 15,000 companies around the world. Their Combined

ESG Score is comprised of two parts: an ESG Score and an ESG Controversies Score. The ESG Score is based on sub-scores in ten categories: Resource Use, Emissions, (Environmental) Innovation, Workforce, Human Rights, Community, Product Responsibility, Management, Shareholders and Strategy.

Before we examine each category, I'd like to point out that one of the primary characteristics (and problems) of ESG scores is that the language they use to describe their meaning generally sounds good, but is so (intentionally) brief and vague that it could mean many different things to many different people. Because of this fatal flaw, ESG scores are generally meaningless and therefore unusable.

A second fatal flaw of ESG scores is that they ignore economic reality. Many of their stated goals would be "nice" to achieve in a world with infinite resources and wealth. The problem is that we live in a world of *scarcity*, and virtually all of their stated goals have a very high cost. These costs, when combined, would be enough to bankrupt every company and wipe out their shareholders. But then that's probably the real goal of ESG proponents. You can't have "capitalism" without profits, companies, capital and shareholders.

I had to look hard for the (brief) descriptions of the ten categories, and found them buried in an appendix. The first is the Resource Use score, which "reflects a company's performance and capacity to reduce the use of materials, energy or water, and to find more eco-efficient solutions by improving supply chain management." OK, well, who can argue with that? At least if money is no object.

Second, the Emission Reduction score "measures a company's commitment and effectiveness towards reducing environmental emissions in the production and operational processes." Hmm. Well, again, hard to argue against that, at least in a world with infinite wealth.

Third, the (Environmental) Innovation score reflects a company's capacity to reduce the environmental costs and burdens for its customers, thereby creating new market opportunities through new environmental technologies and processes or eco-designed products." Meh. Again, this doesn't seem very useful.

Fourth, the Workforce score "measures a company's effectiveness towards job satisfaction, a healthy and safe workplace, maintaining *diversity and equal opportunities*, and development opportunities for its workforce." OK, that sounds a lot like DEI. This category also assumes that the compensation provided by a company to its employees *isn't enough*. But not only is it enough, working for that particular company *is the best option available to those employees* (in a world of scarcity). If it wasn't, they wouldn't be working there. So this score is useful (for me, at least).

Fifth, the Human Rights score "measures a company's effectiveness towards respecting ***the*** fundamental human rights conventions." Well who could be against human rights? Which human rights are they talking about, anyway? Say, the right to self-defense? No, here you have to assume since they use the word "the," they're talking about [the United Nations Universal Declaration of Human Rights]. A number of these sound all well and good, but ironically, many if not most of these "rights" *impose a burden on other people*, thus enslaving them to some degree. So this is another score that has informational value to me.

Sixth, the Community score "measures the company's commitment towards being a good citizen, protecting public health and respecting business ethics." What does that even mean? Spying on your customers for the government? Enforcing pandemic mandates issued by the CDC and WHO? Business ethics sounds nice, but what does that mean? I decided this was too nebulous to use it, but may revisit that decision later.

Seventh, the Product Responsibility score "reflects a company's capacity to produce quality goods and services integrating the customer's health and safety, integrity and data privacy." Again, who could be against quality goods and services? How about poor people who can't afford them? And I think it's rich for these World Improvers—who at the end of the day are in bed with the Intelligence and Surveillance Capitalist Industrial Complexes—to be talking about data privacy. This is not usable.

Eighth, the Management score "measures a company's commitment and effectiveness towards following best practice corporate governance principles." Best practice according to who? McKinsey? The large accounting firms? The Business Roundtable? The Chamber of Commerce? The SEC? Goldman Sachs? Unusable.

Ninth, the Shareholders score "measures a company's effectiveness towards equal treatment of shareholders and the use of antitakeover devices." This sounds quite good, and at first I thought I would use the score for its intended purpose. But then I realized that I couldn't really trust ESG proponents to look out for the interests of shareholders. So I record it on my spreadsheet as an interesting number, but don't include it in my corporate social credit score.

Finally, the Strategy score "reflects a company's practices to communicate that it integrates the economic (financial), social, and environmental dimensions into its day-to-day decision-making processes." So this score measures how much Kool-Aid a company has drunk, how much they're on board with the World Economic Forum's Great Reset program. So this score is very useful for me.

Let's not forget about the Controversies Score (which I mentioned above), which "is calculated based on 23 ESG controversy topics. During the year, if a scandal occurs, the company involved is penalized and this affects their overall ESG Combined Score and grading. The impact of the event may still be seen in the following year if there are new developments related to the negative event, for example, lawsuits, ongoing legislation disputes or fines. All new media materials are captured as the controversy progresses."

Wonderful! But who decides which stories to cover, and how much? The news media, which these days no longer even try to hide the fact that the vast majority of them are leftist political activists masquerading as independent journalists. So this score deputizes the media to act as the enforcers of the current woke political orthodoxy. It's a subtle but significant threat to companies that if they don't toe the line, it will hurt their ESG score and thus jeopardize the top executives' jobs, certainly their bonuses.

So I add up the Workforce, Human Rights and Strategy scores. The provider of these scores would say the higher, the better, but my view is the lower, the better. I then display this score in a fairly prominent place on my massive stock-tracking spreadsheet. There are many factors I take into account when analyzing a stock, but I would say this score carries a weight of between five and ten percent. It's not one of the most important factors, but in a close call, it can make a difference.

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