



King's Chapel  
Environmental Action Initiative

## Investing and the Environment (part 2)

Divestment vs Engagement: A discussion of the great debate on how to create social or environmental change through stock ownership

*November 5, 2022 / 5 pm / Zoom*  
Scott Budde, CFA

# Focus: Stocks & Stock Funds



# Key Questions / Two Strategies

*How can stock investing  
create environmental  
change?*

## 1. Divestment

Don't like it: Don't own it

## 2. Engagement

Don't like it: Organize & Vote

*\* Vote your proxy at a company's annual meeting*



# Two Ways to Own Stocks

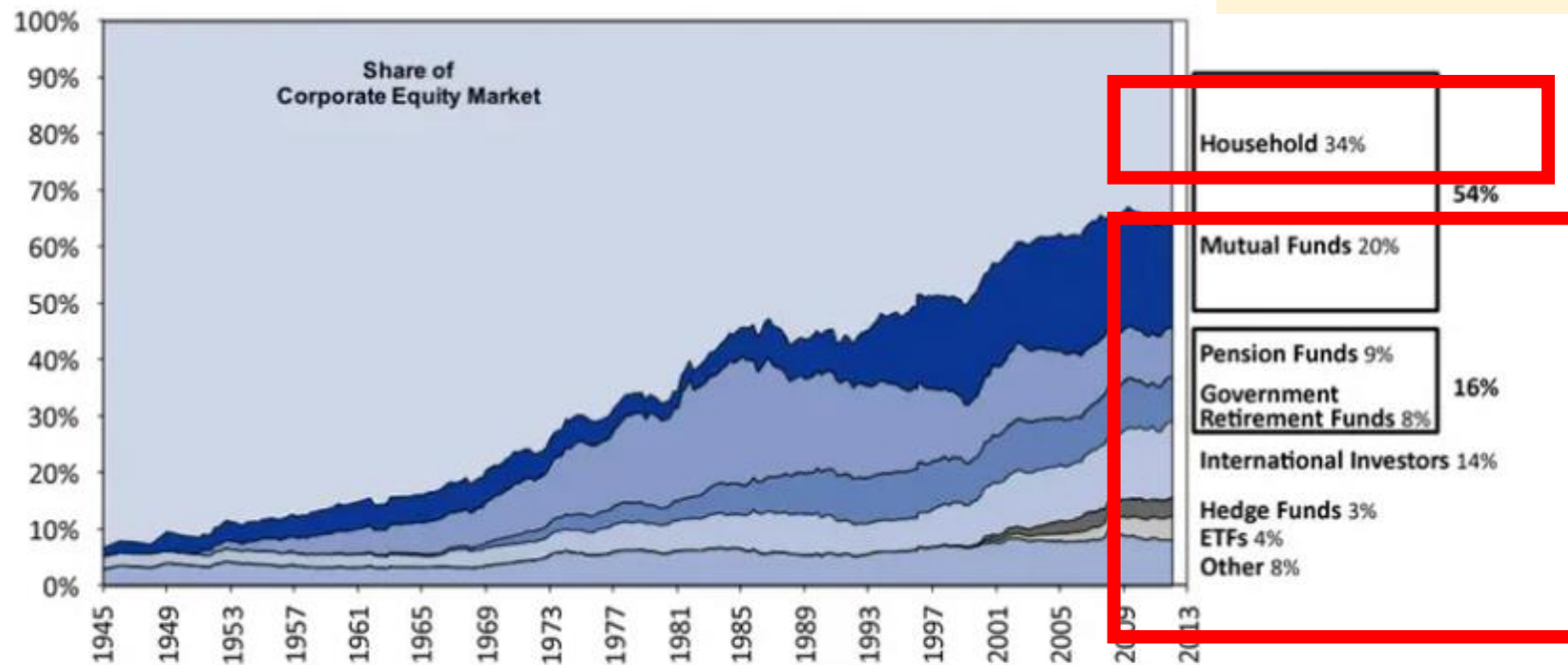
## Individual Ownership

You Own it

## Institutional Ownership

Your Investment Firm Owns it

Ownership Of The Corporate Equity Market



Note: Hedge fund holdings broken out from Households category

Source: Federal Reserve Board, Lionshares and Goldman Sachs Global ECS Research.

# 1. Divestment

Don't like it: Don't own it

## *Rationale*

(from 350.org)

***"3. Not a penny more for dirty energy  
Cut off the social license and financing for fossil fuel  
companies — divest, desponsor and defund."***

### Individual Ownership

Don't like it:

- Sell it

### Institutional Ownership

Don Like it:

- Sell the fund
- Change the Manager

# Divestment Constraints & Challenges

## Individual Ownership

- Inertia
- Logistics of changing
- Potential tax consequences

## Institutional Ownership

- Often limited choices!
- Inertia
- Logistics of changing
- Potential tax consequences

Note: Similar Constraints apply to Engagement





## 2. Engagement

Don't like it: Vote



- = Ownership of the Company
- = Voting Power at Annual Meetings (1 share = 1 vote)
- = Potential Environmental Impact

### *Rationale*

(from [www.asyousow.org](http://www.asyousow.org))

***“Shareholder actions press corporations to undertake this broader risk analysis and make decisions that benefit people, the planet, and profit over the long term.”***



# Sample Environmental Vote (from 2021)



Climate  
Change

BE IT RESOLVED: Shareholders request that Chevron's Board of Directors issue an audited report to shareholders on whether and how a significant reduction in fossil fuel demand, envisioned in the IEA Net Zero 2050 scenario, would affect its financial position and underlying assumptions. The Board should summarize its findings to shareholders by January 31, 2022, and the report should be completed at reasonable cost and omitting proprietary information.

- [Resolution](#)
  - [Press Release](#)
  - [Press Release](#)
- 2021 47.8% Vote

# For Institutions: Proxy Voting & Engagement Basics

	Direct Ownership <i>“Individual”</i>	Indirect Ownership <i>“Institutional”</i>
Who owns the stock?	You do (through a brokerage firm or by holding certificate)	An investment firm (on your behalf through some structure mutual fund, ETF, etc.)
Who votes?	You do	Your Investment Firm
Voting Philosophy & Approach	Yours	Defined in <i>“Proxy Voting Guidelines”</i>

**Proxy Voting Guidelines for TIAA/Nuveen and Vanguard:**

[https://www.tiaa.org/public/pdf/ri\\_policy.pdf](https://www.tiaa.org/public/pdf/ri_policy.pdf)

<https://corporate.vanguard.com/content/corporatesite/us/en/corp/how-we-advocate/investment-stewardship/reports-and-policies.html>

# Now the voting records...



## CHEVRON CORPORATION

Ticker: CVX Security ID: 166764100  
 Meeting Date: MAY 26, 2021 Meeting Type: Annual  
 Record Date: MAR 29, 2021

#	Proposal	Mgt Rec	Vote Cast	Sponsor
1a	Elect Director Wanda M. Austin	For	For	Management
1b	Elect Director John B. Frank	For	For	Management
1c	Elect Director Alice P. Gast	For	For	Management
1d	Elect Director Enrique Hernandez, Jr.	For	For	Management
1e	Elect Director Marillyn A. Hewson	For	For	Management
1f	Elect Director Jon M. Huntsman, Jr.	For	For	Management
1g	Elect Director Charles W. Moorman, IV	For	For	Management
1h	Elect Director Dambisa F. Moyo	For	For	Management
1i	Elect Director Debra Reed-Klages	For	For	Management
1j	Elect Director Ronald D. Sugar	For	For	Management
1k	Elect Director D. James Umpleby, III	For	For	Management
1l	Elect Director Michael K. Wirth	For	For	Management
2	Ratify PricewaterhouseCoopers LLP as Auditors	For	For	Management
3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	Management
4	Reduce Scope 3 Emissions	Against	For	Shareholder
5	Report on Impacts of Net Zero 2050 Scenario	Against	For	Shareholder

## CHEVRON CORPORATION

Ticker: CVX Security ID: 166764100  
 Meeting Date: MAY 26, 2021 Meeting Type: Annual  
 Record Date: MAR 29, 2021

#	Proposal	Mgt Rec	Vote Cast	Sponsor
1a	Elect Director Wanda M. Austin	For	For	Management
1b	Elect Director John B. Frank	For	For	Management
1c	Elect Director Alice P. Gast	For	For	Management
1d	Elect Director Enrique Hernandez, Jr.	For	For	Management
1e	Elect Director Marillyn A. Hewson	For	For	Management
1f	Elect Director Jon M. Huntsman, Jr.	For	For	Management
1g	Elect Director Charles W. Moorman, IV	For	For	Management
1h	Elect Director Dambisa F. Moyo	For	For	Management
1i	Elect Director Debra Reed-Klages	For	For	Management
1j	Elect Director Ronald D. Sugar	For	For	Management
1k	Elect Director D. James Umpleby, III	For	For	Management
1l	Elect Director Michael K. Wirth	For	For	Management
2	Ratify PricewaterhouseCoopers LLP as Auditors	For	For	Management
3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	Management
4	Reduce Scope 3 Emissions	Against	For	Shareholder
5	Report on Impacts of Net Zero 2050 Scenario	Against	Against	Shareholder

# And Investment Manager Voting Matters!

## For Chevron motion #5

- Only 47.3% of Votes in Favor = Measure failed
- But any one of three large managers ***could have*** swung the vote in favor

**STATE STREET** GLOBAL  
ADVISORS

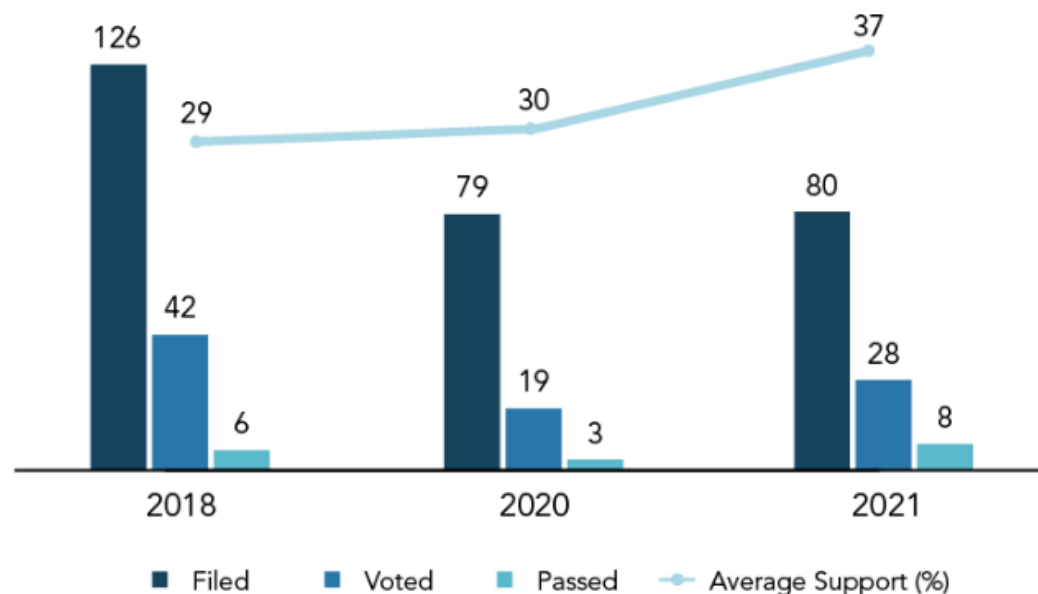
**Vanguard**<sup>®</sup>

**BlackRock**

# Engagement Success is Possible

Shareholder Proposals on Environmental Policy—Volume, Pass Rate, Average Support Level (2018, 2020, 2021)

(Number of Proposals / Percent)

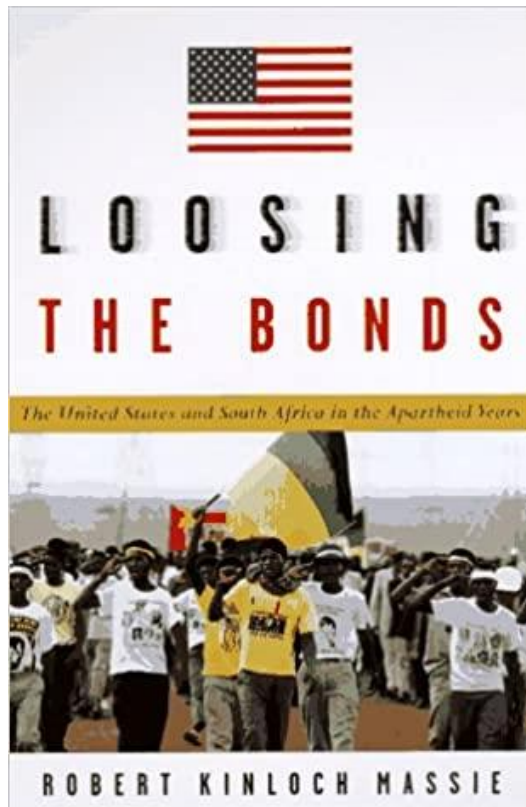


Proposals are often withdrawn after negotiations with management to address the issue

<https://www.conference-board.org/topics/shareholder-voting/environmental-proposals-brief-3>

# So...Divestment vs Engagement: *What Works?*

*Observations from the demise of apartheid in 1994...*



*“It was an unlikely chain reaction, to be sure, in which thousands of small acts of commitment and protest – from demonstrations to letter writing to voting shares of stock – many of them derided at the time as inconsequential, steadily accumulated into a force that altered history and brought forth justice.”*

Source: Massie, Robert Kinloch. *“Losing the Bonds: The United States and South Africa in the Apartheid Years,”* Doubleday, 1997, Page 698.



# Questions & discussion

