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STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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This Week: Monkey slave labor at Amazon?; Congress grills ESG activists in antitrust probe; The Silicon Surge examines how chip growth may conflict with climate goals.

Monkey Slave Labor at Amazon?

ESG activists have officially gone bananas. Ahead of this year's annual meeting at Amazon, PETA submitted a proposal asking the company to "halt[] Whole Foods' sourcing of any coconut milk from Thailand" over concerns about monkey slave labor. And the craziness doesn't end there. This year, animal rights proposals have appeared at Starbucks, Wendy's, Target, and more—aiming to protect monkeys, chickens, pigs, cows and more. But as these animal-primacy proposals proliferate, one has to wonder: Where do shareholders fall on the stakeholder-capitalism food chain?

To learn more about Strive's take on these proposals, and what they mean for investors, read our full article on X.

Read on X

Congress Grills Climate Activists in Antitrust Probe

On Wednesday, the House Judiciary Committee grilled ESG proponents on alleged collusion to restrict fossil fuel output to fight climate change in potential violation of the antitrust laws.

The Alleged Collusion: "It's restraint of trade. And it's illegal because it drives up costs for consumers and the American people we represent," said Rep. Jim Jordan of Ohio. "They'll say it's for a good cause, we're going to save the planet. Never mind the cost of food is going to go up, the cost of fuel is going to go up."

The Players: Witnesses at the hearing included:

- CalPERS Interim Chief Investment Officer Dan Bienvenue
- The nonprofit organization Ceres' CEO Mindy Luber
- ESG asset manager Arjuna Capital Chief Investment Officer Natasha Lamb
- Minnesota Attorney General Keith Ellison

The Questioning: Lawmakers and witnesses came ready for battle, with questioning centering around the pension fund and asset managers' involvement in groups like Climate Action 100+ and Net Zero Asset Managers, through which signatories agree to use joint pressure to decarbonize corporate America.

The Answers: The activists mainly stuck to their scripts, claiming they're merely looking for disclosures (despite their written commitments showing otherwise) and that "collaboration" is somehow different from "collusion."

The Report: The hearing came the day after the committee released a 47-page interim report describing "evidence of a 'climate cartel' consisting of left-wing activists and major financial institutions that collude to impose radical environmental, social, and governance (ESG) goals on American companies."

What's Next: While it is unlikely that the current administration will indict anyone over these alleged antitrust violations, the evidence could prove useful for private litigants, state prosecutors or future federal action. And who knows? In late 2022, Federal Trade Commission Chair Lina Kahn penned an op-ed in the Wall Street Journal entitled "ESG won't stop the FTC" where she explained that "[t]he antitrust laws don't permit us to turn a blind eye to an illegal deal just because the parties commit to some unrelated social benefit." Hopefully, the antitrust division watched the hearing with both eyes open.

Tesla Shareholders Reject ESG, Approve Pay & Texas Move

Tesla shareholders overwhelmingly voted to approve Musk's $46 billion pay package and move the company from Delaware to Texas, the New York Post reported last week.

The Pay Package: Nearly three-fourths of Tesla shareholders—excluding Elon Musk and his brother Kimbal—voted to approve Musk's $46 billion pay package, confirming the company's commitment to the 2018 deal that a Delaware judge called "unfathomable."

The Move to Texas: Almost 90% of shareholders voted to move the company's incorporation from Delaware to the Lone Star State.

Victories for Shareholders:

- **On Pay**: As we discussed last week, the primary opponents of Musk's pay package were ESG activists like blue-state pension funds and proxy advisors who opposed Musk's willingness to openly criticize ESG. Affirmation of his pay package is welcome proof that a majority of Tesla shareholders are willing to put politics aside and focus on what (and who) has created the most financial value for investors.
- **On the Move:** The move to Texas comes as some have argued that Delaware's "flirtation with ESG is jeopardizing its status as a preferred corporate headquarters," creating opportunities for states like Texas to "develop[] an efficient alternative that upholds shareholder value."
- **On ESG Proposals:** Tesla shareholders also voted down a number of ESG proposals, including one centered around anti-harassment efforts, another on collective bargaining, and another seeking to tie Musk's pay to sustainability goals.

A Sweet Result: To celebrate the move, Musk sent a farewell cake to Delaware decorated with the phrase "Vox Populi, Vox Dei"—Latin for "the voice of the people is the voice of God"—scrawled in red icing as "a parting gift." We agree shareholder primacy is delicious; any additional value that Musk can drive for Tesla shareholders would be the sprinkle on top.

Strive Co-Founder Tells Companies To Learn From Harvard

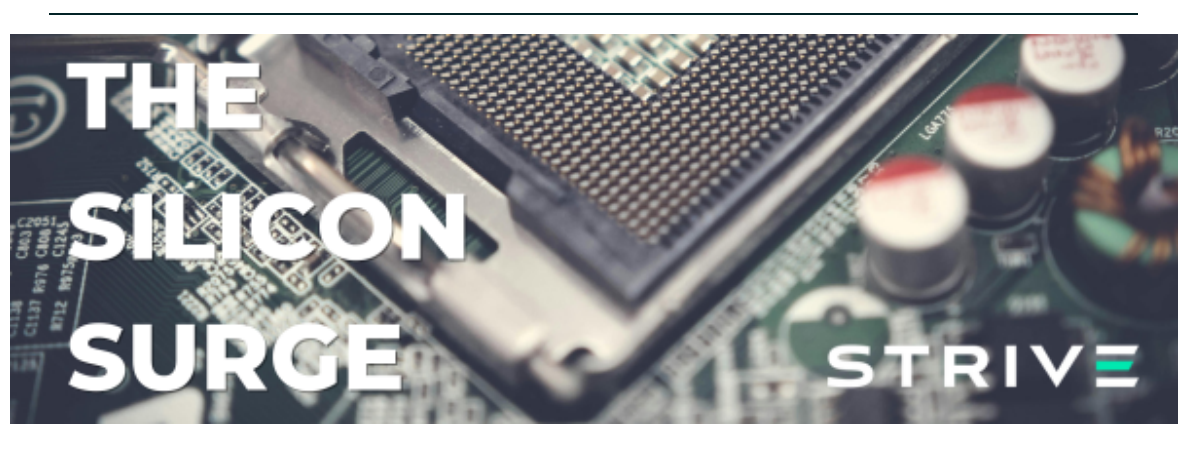
Strive co-founder Anson Frericks tells companies to take a lesson from Harvard in a new piece in Fox News last week.

Harvard's New Policy: As we reported a couple weeks ago, Harvard has adopted a new policy that embraces political neutrality when it comes to commenting (or, more precisely, not commenting) on public events. No more empathy statements. No more commenting on new wars. Or Supreme Court decisions. Or taking sides on political issues more broadly.

Some Lessons To Follow: The piece offers concrete advice for companies looking to follow in Harvard's footsteps.

- **Ignore the Haters:** Companies should focus on their core mission alone, and set aside the advice of "so-called experts like McKinsey and BlackRock who say companies have to earn their 'social license' to operate by appeasing their many stakeholders."
- **The Numbers Don't Lie**: Just 41% of Americans think companies should issue statements on current events—a number that jumps to just 53% even for Gen Z. There's no need to alienate half of your would-be customers or talent pool.

Corporate Leaders: Harvard isn't the only model to follow, Frericks notes. Both Coinbase and Google have also taken steps to formalize policies that promote workplace neutrality, demonstrating that being mission-centric isn't limited to academia.



Chip Growth Challenges Climate Initiatives

We've seen companies like Intel, TSMC, Micron, and Samsung praise net zero targets and commit to using 100% renewable energy, but they're facing a harsh reality check.

Semiconductor fabs are among the most energy-intensive factories in the world, often using more power than auto plants and oil refineries. By 2030, fabs could use as much power as Australia, and given the number of fabs expanding across the world today, it could rise even more.

AI is also causing an electricity demand surge driven by large data centers. These facilities are the backbone of our digital lives, from cloud storage to financial transactions. Projections suggest that by 2030, data centers could consume 9% or more of U.S. electricity, more than double their current rate.

Big tech must decide whether meeting renewable energy targets is worth it. Clean energy only accounts for roughly 8% of total U.S. energy consumption, with fossil fuels still in the lead.

It's not just the U.S. realizing climate initiatives are in tension with chip initiatives. South Korea is facing potential power shortages due to its rising number of semiconductor manufacturing plants and is scrambling to control them. In Taiwan, the lack of land for solar panels is causing chip companies like TSMC to look elsewhere to generate power.

If renewables can't do the job, nuclear energy certainly can.

Nuclear power is well-suited to meet the electricity demands of fabs since it's more reliable. It can stay on constantly, giving it an advantage over other clean power sources like solar and wind, which rely on certain weather conditions to generate electricity.

Key memory-maker Micron chose its central New York plant location because a nuclear power plant is 40 miles away. While Micron committed to using 100% renewable by 2025, it's becoming clear that these climate measures are incompatible with its ambitious production goal of investing $150 billion in global manufacturing and R&D.

Nuclear fuel is also the longest-lasting energy source on the planet, and capital investments have increased drastically since 2021. With AI dominating the market, investors are becoming more bullish on nuclear energy to power these massive data centers and semiconductor companies are starting to reconsider how much of a green premium they're willing to pay to fuel their own chip production.

The hardware and software industries both require exorbitant amounts of energy, and whether it's going nuclear or sticking with fossil fuels, they'll do whatever it takes to meet AI demand.

Last week, Strive's Head of Corporate Governance Justin Danhof spoke at the NIRI national conference on a panel called "Beyond 'Green Hushing': Thinking Long-Term About ESG Communications." The panel brought together experts with diverse perspectives on whether ESG helps or hurts companies' long-term growth, with Danhof offering Strive's view that corporate pursuit of ESG doesn't help companies achieve their bottom line. Given the evidence that ESG harms shareholder value, we don't believe the issue is up for debate; but so long as these debates continue to be held, we're happy to be part of the conversation.

CAESARS ENTERTAINMENT

Voting Spotlight: Caesars Entertainment

Each week during proxy voting season, Strive will highlight one interesting vote from a recent company's annual meeting.

Last week, Strive voted against a proposal asking Caesars Entertainment to report on adopting a smokefree policy for all of its casinos.

The company opposed the proposal, explaining that its decision to ban or allow smoking in any given casino was a "complex business decision" and that it believed its "current policies strike the appropriate balance in appealing to both smoking and non-smoking customers."

Because the proposal was targeted at a social issue, and because the proponent failed to provide any persuasive evidence that a company-wide smokefree policy would generate financial value for Caesars shareholders, Strive voted against the proposal.

The Best of the Rest

Additional stories about ESG investing, company happenings, and more.

- Hyundai, Kia to impose stricter ESG mandates on suppliers; new requirements include "higher renewable energy use rate, workforce diversity, the protection of local residents' rights and specific timelines to meet greenhouse gas reduction goals."
- Some takeaways from first half of proxy voting season: "environmental and social issues remain key areas of focus for both investors and corporations, as evidenced through their stewardship reports and public disclosures"; over 90% of S&P 500 companies that have issued sustainability reports continue to use "ESG" and "DEI" throughout, new Harvard Law Forum on Corporate Governance article reports.
- Target scales back Pride collection this June following last year's backlash; company has also taken some internal measures, like disabling employee chat functions and ending live questioning at large company meetings, to quiet the distractions.
- U.S. bars imports from Chinese footwear, seafood and aluminum companies over concerns of forced labor.
- Fidelity pushing companies to meet net zero goals despite financial trade-offs; Fidelity's chief sustainability officer reports on the financial firm's engagement efforts and shares her view that "shareholder action" has a "key role[] to play in creating an enabling environment for a successful corporate net zero transition, recognizing that long term decision-making requires careful consideration of trade-offs and limitations in both financial and sustainability objectives."

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Who Are We?
Strive is one of the fastest growing asset management firms. Our mission is to maximize value for our clients by leading companies to focus on excellence. **Click here** to learn more.

What Makes Strive Different?
While many asset managers push companies to focus on other stakeholders such as employees, suppliers, the environment and society at large, we live by a strict commitment to shareholder primacy — the belief that **the purpose of a for-profit corporation is to maximize long-run value for investors. Click here** to learn why shareholder primacy is so important.

How Does Strive Maximize Value?
Our corporate governance team engages with the companies in which our clients are invested to advocate for the pursuit of excellence in corporate America. We are aggressively apolitical when it comes to utilizing our corporate governance tools and demand that companies focus exclusively on delivering long-term financial value for investors. The corporate governance team also determines how to cast our shareholder votes at annual meetings and special elections, evaluating each proposal through the lens of maximizing financial return.

Our research team conducts deep analysis of macro economic trends, market developments, and industry- and company-specific metrics to identify potential risks and opportunities for our clients. We then incorporate the results of this research into our engagement and voting strategy, and share it with our clients in the form of white papers and market research reports so they can make the most educated investment decisions possible.

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