STRIVE

# The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

**March 25, 2025**

**This Week:** Formula One makes a green pit stop; Morningstar reveals DEI changes won't affect ESG scores; The Bitcoin Brief digs into Pakistan's turn to bitcoin mining.

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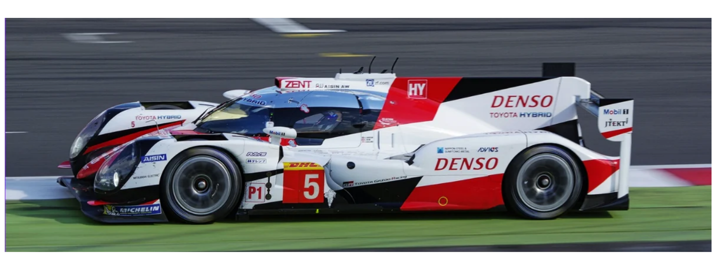
## Formula One's Green Pit Stop Leaves Shareholders in the Dust



Formula One is racing towards net-zero emissions by 2030, the Wall Street Journal reports. But are shareholders being taken for a ride?

**Under the Hood:**

- Formula One generated 223,031 tons of carbon emissions in 2022 (roughly the same as the Pacific island nation of Tonga).
- The sport plans to halve emissions by 2030, while simultaneously expanding its race calendar.
- To do so, it's rerouting races, transitioning its cars to run on synthetic e-fuels, and purchasing carbon credits.

**A Confusing Detour:** Formula One's net zero commitments seem fundamentally at odds with the sport's business model, and the irony runs deep:

- Formula One cites environmental concerns while boasting Saudi Aramco (the world's largest oil producer) as a flagship sponsor.
- The league and individual teams are spending princely sums on carbon credits, while racecar drivers use their own private jets to ferry themselves across the globe.
- The sport's financial success is built on a global travel schedule that generates 49% of its emissions, yet much of Formula One's environmental PR spin focuses on moving to alternative racecar fuels that make up just 1% of its total emissions.

**Burning Rubber, Burning Cash:** Pursuing net zero is a costly endeavor. Sustainable fuels are pricier than their conventional counterparts, and carbon credits are nothing more than a corporate donation to the green cause. But the most substantial cost is likely less direct: the lawsuits and complaints that are filed when Formula One inevitably doesn't live up to its lofty goals. Already, it's been hit with a greenwashing complaint in the UK for overstating its positive environmental impact. If it continues down this road, more are sure to follow.

**Strive's Take:** Meritocracy made Formula One successful—the fastest cars and best drivers win. The same principle should apply to its business strategy: focus on delivering the best racing experience, entertaining your fanbase, and growing your revenue. To do that, Formula One needs to keep its eyes on the road.

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## Morningstar Reveals DEI Changes Won't Affect ESG Scores

Last week, Morningstar revealed that companies that have announced DEI rollbacks are unlikely to see significant changes to their ESG scores. But their explanation raises more questions than it answers.

**By the Numbers:** Per Morningstar:

- 82% of companies have diversity programs, but
- DEI represents just 1 to 5% of a company's total ESG score, and so
- Most recent corporate DEI rollbacks won't significantly impact ESG ratings

**The Real Story:**

- Morningstar also acknowledges that many, if not most, of the DEI announcements are more symbolic than substantive, meaning that for many companies, it wouldn't make sense for their ESG scores to change.
- Morningstar cites BlackRock, for example, as a company that has "replac[ed] terms such as 'diversity' with vague alternatives such as 'connectivity,'" but doesn't seem to be backing away from DEI as a core principle.

**Why It Matters:** Companies sometimes use ESG ratings as a shield to defend their DEI and other non-business programming, fearing that if they do not conform to ESG activists' pressure, their ESG scores will fall and they may be dropped from ESG funds or find themselves ineligible for ESG-based financing. Strive disagrees. We believe that companies that hire, promote and choose suppliers based on merit alone will outperform in the long-run. But even if a company believes ESG scores are paramount, if dismantling DEI policies barely moves the needle, then there's simply no excuse to keep them in place.

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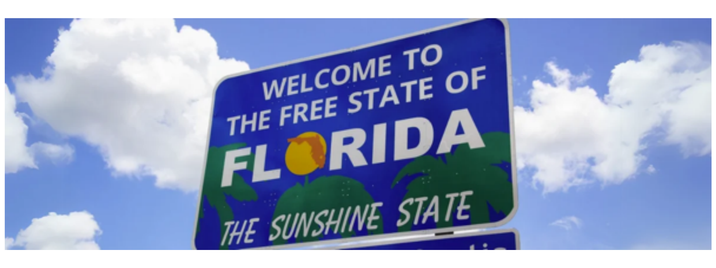
## Florida Takes Aim at Proxy Duopoly




Florida has launched an investigation into proxy advisory firms ISS and Glass Lewis for potential antitrust and consumer protection violations, per an announcement from the Florida Attorney General's Office last week.

**Market Dominance:** The two firms control up to 97% of the proxy advisory market, influencing the votes of over $50.4 trillion in capital.

**The Core Allegations:** While the formal investigative document has not yet been released, Attorney General James Uthmeier has indicated that the state plans to investigate:

- Potential misrepresentations of ESG policies as "purely economic" rather than "partisan political agendas,"
- potential collusion in adopting and enforcing ESG policies, and
- possible use of market power to "handcuff" businesses that don't comply with their ESG recommendations

**Economic Reality:** ESG doesn't help companies' bottom lines. As Attorney General Uthmeier explains:

- ESG funds have "broadly underperformed the market for years"
- Posted "double-digit losses in 2022," and
- Continue to underperform through 2024.

**Strive's Take:** This investigation tackles a critical market distortion—two companies effectively controlling how trillions in investor capital votes on corporate decisions. When these recommendations prioritize environmental activism over financial returns, investors suffer. Florida's push could finally bring accountability to a system that has long operated with minimal oversight.

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### Pakistani government embracing bitcoin mining

The world's fifth-most populous country is preparing to jump into the bitcoin mining game. Pakistan's newly-formed Crypto Council, a regulatory body charged with overseeing blockchain technology, held its inaugural meeting on March 21st. CEO Bilal Bin Saqib proposed a transformative tactic to establish Pakistan as a crypto hub: using its abundant excess energy to mine bitcoin.

Pakistan's energy sector faces a paradoxical problem: despite frequent power outages in some regions, the country has significant installed capacity that often goes unused. Many of the government's power purchase agreements are based on "take or pay" terms that require it to buy electricity capacity even when it doesn't need it. The combination of abundant energy generation but limited transmission infrastructure means Pakistan is often stuck with a bill for electricity it can't use. Seasonal variations in power demand make the problem of surplus capacity even worse.

Mining bitcoin promises to turn a liability into an asset. Mining operations can be placed directly on the site of power generation, bypassing the problem of transmission. They can also be turned on and off at will, a unique superpower for an energy customer—the vast majority of industries have a constant need for power, but bitcoin miners are opportunistic. They can shut down when everyone else wants electricity and start up when there's excess capacity. So instead of paying power producers not to generate electricity, mining bitcoin with it allows Pakistan to transform that cost into revenue.

Other countries are likely to follow in Pakistan's footsteps. Previously, only small countries like Bhutan, with a population around 1 million, and El Salvador, with a population of 6 million, had turned to bitcoin mining. With 250 million people, Pakistan can prove the concept on a much larger scale. As part of its bid to lure miners, it's developing special pricing schemes to give them a discount on electricity during times of excess supply.

The larger story is that bitcoin mining is transforming from energy problem to solution. Mining is usually viewed as an electricity guzzler. Critics (including some in the ESG movement) point to eye-popping statistics like the fact that Bitcoin consumes around 121.36 terawatt-hours of electricity annually, which exceeds the consumption of countries like Argentina, the Netherlands, and the United Arab Emirates.

But now governments are getting smarter about focusing on where and when Bitcoin uses electricity, not just how much it uses. Energy superpowers like the United States have their own problems with stranded energy assets and periods of excess supply. Following in Pakistan's footsteps and partnering with bitcoin miners may offer a promising budget-neutral way to acquire more bitcoin.

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## Voting Spotlight: Microsoft

Microsoft

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

Earlier this season, Strive voted in favor of a proposal asking Microsoft to consider adding bitcoin to its balance sheet.

As of 2024, Microsoft held over $60 billion in cash and short-term investments. But the overwhelming majority of these investments were in corporate and government bonds, which barely outpaced inflation. None of it was invested in bitcoin, which has outperformed corporate bonds by approximately 400% over the past five years.

In Strive's view, bitcoin's scarcity, growth potential, and ability to hedge for inflation make it a compelling asset for both individual and institutional investors. Because Strive believes that Microsoft would likely increase its long-term value for shareholders by diversifying its holdings to include at least some bitcoin, Strive supported the proposal.

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### CEO Matt Cole Talks Bitcoin on Free the Economy Podcast

Capitalism thrives on competition with clear ground rules. But for too long, crypto regulation has been anything but clear--until now

Strive CEO Matt Cole spoke about the challenges of "regulation by enforcement" during his recent appearance on the Free the Economy podcast with Richard Morrison.

**Watch Here**

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## The Best of The Rest

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

- Disney's "Snow White" opens to low sales and lackluster reviews; the remake of the classic film "managed to hit every possible cultural land mine on its journey to theaters."
- Climate activist group tries to oust BP's chair; campaign comes as company has scaled back renewables and increased investments in new oil and gas projects.
- California has 30 new proposals to rein in AI; as developers and supporters raise concerns that regulations would hamper innovation.
- These 18 companies are keeping DEI; while some companies are rolling polices back, others are doubling down.
- President Trump pledges to make U.S. "undisputed Bitcoin superpower" in remarks to the Blockworks Digital Assets Summit in New York City; pledged to end the prior administration's "regulatory war on crypto and Bitcoin."

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**Who Are We?**
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**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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