STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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This Week: DEI on the menu at Chipotle; net zero driving up summer travel costs; An Eye on Energy talks prices at the pump.

DEI On the Menu at Chipotle

Last month, Chipotle was praised for reducing its emphasis on DEI goals in its executive pay packages by shifting from race-based hiring targets to race-based retention targets. But is that really an improvement? In a new piece, Strive CEO Matt Cole and Head of Corporate Governance Justin Danhof argue it's not.

To find out why, and what other companies are engaging in similar DEI shenanigans, read their full piece at the Daily Caller.

Read It Here

Net Zero Price Hikes For Summer Travel

Your travel plans might be getting even more expensive. Last week, British Airways' CEO warned that customers will be forced to foot the bill for airlines' net zero goals, as a different airline has already added carbon fees on top of ticket costs, the Financial Times reports.

Soaring prices: Airline ticket prices are up 25% from last year, outpacing inflation. As a result, nearly half of Americans said they can no longer afford to fly this summer.

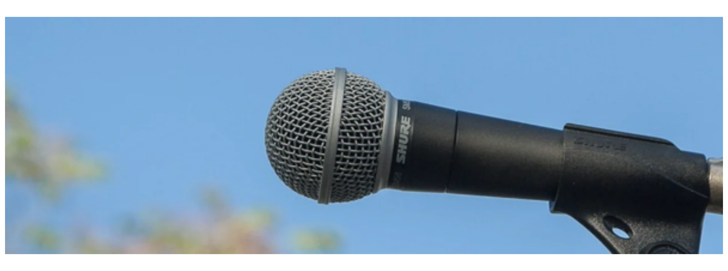
More increases ready to take flight: Against this backdrop, additional price increases will likely put travel plans even further out of reach. Yet that's precisely what's on the horizon: “Flying is going to be more expensive. That is an issue," British Airways CEO told the Financial Times.

Sustainable fuel at unsustainable prices: Sustainable jet fuel will have a "big impact" on prices going forward, the CEO explained. By some estimates, sustainable jet fuel is three to five times more expensive than normal fuel, rendering ticket increases almost unavoidable.

Big Three's insistence: The airline industry, like many others, has been making these changes based on increased pressure from both regulators and asset managers like BlackRock, State Street, and Vanguard, who have been pushing them to voluntarily reduce carbon emissions. Both Vanguard and State Street, for instance, pushed Delta to align its lobbying activities with Paris Agreement goals. BlackRock voted against the measure, but only because it felt Delta already had a sufficient "action plan" in place to combat climate change.

A one-way ticket to nowhere: The next time we're sweltering in the summer heat at home, rather than on a beach in paradise, we'll at least take comfort in the fact that our airline ticket has been priced out of reach for our own good—even as Larry Fink continues to jet around the world in his $98 million Gulfstream 650 without a climate care in sight.

SEC Commissioner Peirce Warns of Dangers of ESG



In a speech last week, Securities and Exchange Commissioner Hester Peirce warned about the dangers of ESG investing, shedding light on how at least one U.S. regulator thinks about the issue and how it impacts investors.

The Speech: Commissioner Peirce spoke in Poland, at the Annual US-Central and Eastern European Connection Weekend.

The Dangers: Peirce outlined the dangers of the ESG movement, focusing primarily on how it is a "hopeless muddle," and so can be used by bad actors to obscure their true motives. These efforts harm:

- Investors: Peirce argues that large asset managers often make "an unsupported claim of a causal connection to financial returns so they can consider an ESG factor that they want to consider for other reasons"—including to "fulfill a promise to a third party to manage money consistent with ESG objectives" or to please other clients who "care a lot about non-financial objectives."
- Shareholders: Companies similarly betray their obligations to shareholders by pursuing "ESG goals that are inconsistent with financial returns" and invoking the needs of a broad array of stakeholders to dodge accountability; and
- Citizens: Peirce argues that the ESG movement allows the government to avoid its obligations to citizens. Here, she argues that the ESG movement falsely claims that "all manner of socially and politically contentious items are linked to financial returns" in order to give the SEC cover to regulate social and political issues that are more properly left to lawmakers themselves.

A Defender of Shareholder Primacy: Peirce has long been a vocal advocate for investors, dissenting from recent rules that would force many asset managers to increase their ESG engagements with corporate America and from the climate disclosure rules. Although she's often in the minority, her dissenting voice offers a refreshing view of the SEC's role and how best to protect capital markets—one we are happy to hear.

Google Invests in BlackRock's New Green Power

After facing years of pressure from BlackRock to hasten its net zero goals, Google has purchased a stake in New Green Power, a solar energy company 100% owned by BlackRock's climate infrastructure group, Reuters reports.

AI driving emissions: The announcement came following Google's announcement in its annual environmental report that its carbon emissions had risen nearly 50% from its 2019 baseline, driven primarily by a rise in artificial intelligence.

BlackRock's role: Over the past several years, BlackRock has been one of the most powerful voices pushing corporate America to adopt net zero goals. Now that nearly half of the S&P 500 have made the pledge, BlackRock is cashing in, offering solutions to help companies meet the climate goals BlackRock forced them to adopt.

Carbon offsets: In addition to purchasing solar energy from BlackRock, Google joined up with Meta, Salesforce and Microsoft in May to form a new climate organization to "pool demand" for carbon credits. Already, the effort has faced criticism for allowing Big Tech to buy a license to pollute, so long as they purchase offsets elsewhere. It's also unclear how the coordinated effort will fare in the face of increased antitrust scrutiny. And, of course, it's worth mentioning that BlackRock has recently invested over a half billion dollars buying up interests in the carbon offset market, to resell credits to portfolio companies.

Strive's take: When it comes to marshaling business resources to fight climate change, BlackRock seems to be the cause of, and solution to, all of corporate America's problems.

The Price at the Pump

An estimated 70.9 million Americans traveled 50 miles or more from home over Independence Day weekend—a 5% increase compared to 2023 and an 8% increase over 2019.

With that kind of travel, all eyes are on the pump.

Average gasoline prices in the United States are around $3.48 per gallon (gal), five cents less than this time last year. According to the U.S. Energy Information Agency, the weekly average price at the pump declined about 19 cents/gal since the 2024 high on April 22.

Business and household minds want to know whether gasoline prices are heading up to $4.00 or going down under $3.00. A combination of factors are keeping gas prices relatively stable right now, but could contribute to price fluctuations later this summer:

- **Gas inventories** impact prices. It's a simple case of supply and demand. Right now, increasing gasoline inventories seems to be suppressing prices. On June 21, EIA reported that U.S. gasoline inventories averaged around 234 million barrels — an increase of around 7.1 million barrels since April 19. This has been due to large inventory growth on the East Coast, which has offset seasonal declines in the Midwest and Rocky Mountains.
- **Gas imports** play a role. At the moment, more than 80% of U.S. imports of gasoline enter through the East Coast from Europe. And gasoline imports from Europe to the East Coast have increased 65% since the week of April 5, at around 630,000 barrels per day (b/d).
- **The price of crude oil** makes up about 56% of the price of gas at the pump, and has trended upward since late June. April 2024 highs in oil were driven by heightened geopolitical risk related to ships transiting the Red Sea, elevated tensions in the Middle East, and the March 2024 OPEC+ announcement to extend production cuts.
- **Hurricane season** could disrupt the complex gasoline supply chain and offshore production, particularly if the Gulf Coast or Mexico is hit. A high-impact event that removes around 3 million b/d of refining capacity may increase the cost of gasoline to around $4 (gal).

Americans should continue to drive and enjoy our energy dominance, while keeping an eye on gasoline prices as we approach the U.S. presidential election, which always brings the price at the pump into focus.

The Best of the Rest

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

- Hypocrisy afoot at Davos; employees allege sexual harassment and toxic workplace culture at Klaus Schwab's World Economic Forum.
- Proxy voting support for ESG efforts stabilizes down from peak, but BlackRock and others continue to vote for climate measures and promote DEI goals.
- Treasury seeks tighter rules on U.S. investment in China; new ban eyeing AI, quantum computing, and chips.
- New York Pension Fund attacks Best Buy over LGBTQ+ policies; launches campaign to oust board members for not being DEI-friendly enough.
- New Florida law protects banking customers who have been discriminated against based on political beliefs.
- Judge dismisses suit alleging N.Y. pension fund put politics over finances because pensioner was unable to show his benefits were cut, but did not rule on whether N.Y.'s climate policies breach its fiduciary duties; lawsuits from 401(k) holders have had more success so far.

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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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