STRIVE

# The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

**November 19, 2024**

**This Week:** Countries fight over financing at climate summit; 18 states sue SEC over crypto regulations; Boeing's post-DEI trajectory takes flight.

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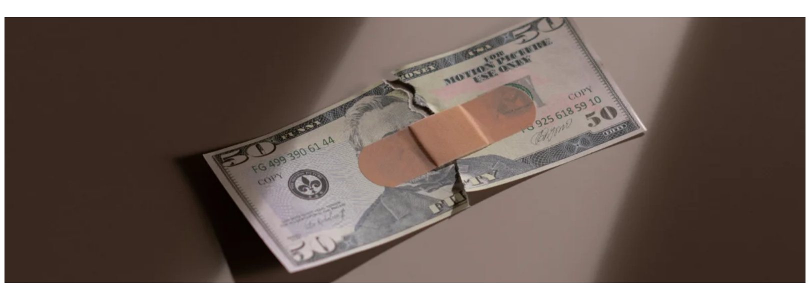
## Countries Fight Over Financing at Climate Summit



The United Nations is passing around the hat, hoping to secure new multi-trillion-dollar commitments to fund new climate projects at its COP29 Climate Summit. But this time around, securing the funds may be more daunting than ever, Reuters reports.

**What's Going On:** Since 1995, the UN has held an annual climate summit inviting countries to discuss strategies to fight climate change. This year, leaders from 200 nations are gathering from November 11 to 22 in Baku, Azerbaijan.

**Why Climate Finance Is Front And Center:**

- In 2009, wealthy countries agreed to give $100 billion per year to developing nations to fight climate change, starting in 2020.
- That commitment expires this year, and developing nations are looking for more cash.
- A study released on the eve of the meeting says developing nations will need $2.4 trillion per year starting in 2035, and $1 trillion will need to be donated by wealthier nations.

**The Sticking Points:** There are several important issues the group is discussing, including:

- the likely withdrawal of the United States from global climate agreements following President Trump's election, which will leave a $10 billion annual hole in the group's funding,
- disagreements on whether large emerging markets like China should be asked to contribute, or whether the burden to finance climate mitigation measures should fall solely on fully-developed countries,
- disagreements on whether the funds should be loans or grants, with advocates for developing nations infuriated that 70% of the original climate commitments came as loans, furthering the indebtedness of already impoverished nations, and
- disagreements on whether the funds should come from public coffers or private investments, with developing nations pushing for public grants.

**Why It Matters:** Climate change has become a political flashpoint, with some in the United States questioning whether, and to what extent, the U.S. should be using its citizens' tax dollars to fund infrastructure projects overseas. At the same time, the private sector is unlikely to bridge the gap, particularly as sustainable investing has lost its sheen. The result is that the Paris Agreement cap on global warming now seems out of reach. Businesses that made lofty net-zero pledges, assuming the world would follow the Paris Agreement and that green funding would flow easily from governments, now face the harsh reality that those assumptions may no longer hold true.

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## 18 States Sue SEC Over Crypto Regulations

On Thursday, eighteen states sued the Securities and Exchange Commission over its approach to crypto, Fox Business reports.

**The Parties:** The lawsuit was led by the attorney general of Kentucky and joined the attorneys general of 17 other states—Nebraska, Tennessee, West Virginia, Iowa, Texas, Mississippi, Montana, Arkansas, Ohio, Kansas, Missouri, Indiana, Utah, Louisiana, South Carolina, Oklahoma, and Florida—against the SEC and its five commissioners.

**The Allegations:** The suit alleges that the SEC has engaged in "unconstitutional overreach" in its crackdown on cryptocurrency. The plaintiffs note that Congress has not passed any laws related to crypto, but that the SEC has gone after the industry anyway.

**Rulemaking by Enforcement:** The lawsuit also criticizes the SEC for refusing to go through the standard notice-and-comment rulemaking process to regulate the crypto industry. Instead, the SEC has used enforcement actions to try to shut crypto companies down, which conflicts with the lighter-handed, consumer-protection-based approach taken by the states.

**In Their Own Words:** From the complaint:

> Instead of respecting that constitutional balance of power, and allowing States to develop and enforce their own tailored digital asset regulations based on their own policy priorities (furthering their constitutional role as laboratories of democracy), the SEC's assertion of sweeping jurisdiction without congressional authorization deprives States of their proper sovereign role and chills the development of innovative regulatory frameworks for the digital asset industry. Still worse, by attempting to shoehorn digital assets into ill fitting federal securities laws and inapt disclosure regimes, the SEC is harming the very citizens it purports to protect, by displacing better-suited state laws that have been carefully designed to ensure consumer protection in the digital asset industry.

**An Uncertain Future:** Given President Trump's expected pro-crypto approach, it's not clear how the case will proceed. But at a minimum, the suit sends a strong message that not all public officials agree with the SEC's current crackdown; many feel that there is a need for change, and 18 state officials are willing to go to court to make it happen.

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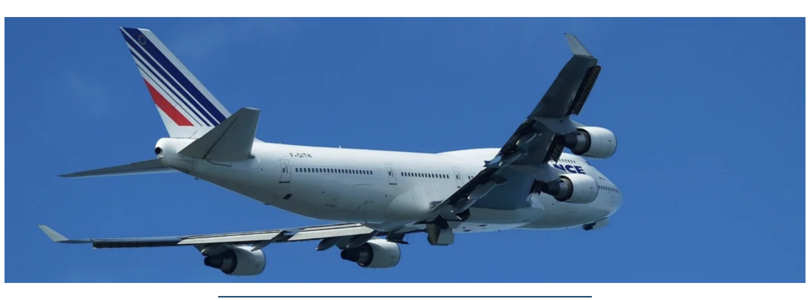
## Boeing's Post-DEI Trajectory Takes Flight



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Earlier this month, we reported on Boeing's decision to dismantle its DEI department—a move that came just three months after Strive wrote to its new CEO asking him to refocus the troubled airplane manufacturer on safety and excellence. Now, the City Journal has published a piece offering an insider's look at the changes at Boeing and how they're shaking out.

**An Insider's Look:** Per the source:

> We are shifting from a company whose culture is simply the average of corporate America to a distinct and deliberate vision of leadership. [CEO] Kelly Ortberg wants Boeing focused on being an airplane company with our own culture and vision. The resulting cash crunch from the strike accelerated this culture shift. When you start to focus on delivering value instead of preserving status, it becomes obvious what drives value, and it's not DEI.

**Real Change:** The insider provides some key insights on how Boeing was able to break free from its DEI culture.

- **"Courageous Leadership."** When DEI is firmly entrenched within an organization, sometimes it takes a brand new CEO to root it out. "Kelly is looking at every business and every process with fresh eyes, asking the basic question, 'Does this help us build airplanes?' HR organizations like to make the argument that you need the right mix of skin color and gender preference to perform and innovate. But everyone who has had to build things knows that what really drives value is integrity, hard work, and technical expertise."
- **Fire DEI Executives**: Sometimes, companies that claim to be walking back their DEI commitments reassign their DEI chiefs to other parts of the organization or, worse, merely rename the DEI department something else. Boeing didn't. When Boeing's DEI chief tendered her resignation, Boeing accepted it.
- **Fire HR:** When a company's HR team has spent years recruiting, hiring, and firing employees based on race rather than merit, it might make sense to replace them, too. That's what Boeing has done. "[T]he new HR leadership under Kelly has a legal background from outside Boeing. Lawyers are more focused on managing risk and business value than classical HR leaders, who tend to focus on preserving their status in the global HR community."
- **Implement Merit-Based Hiring Practices:** "Hiring on merit while truly caring for people, regardless of arbitrary one-dimensional identity- or affinity-group labels, is the way to go. After all, people do not want to be beneficiaries of bias any more than they want to be victims of it."
- **Unite the Workforce Towards Results:** Easier said than done, sure, but fixing the culture is critical to creating a unified, results-driven workforce. "When the new boss prioritizes results over fitting in with other CEOs, it sends a strong signal to the culture and builds trust because employees know the rules and it's clear how to succeed: through hard work and results."

**A True Dismantling:** When companies walk back DEI commitments, it's not always clear whether the change is meaningful. Sometimes, companies are just trying to avoid PR blowback while continuing business as usual. Other times, companies are making real, merit-based change. Boeing's example shows that it takes more than a PR statement and few edits to a company's website to truly free a company from DEI's grip; it also shows that the juice is well worth the squeeze.

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### The Best of the Rest

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

- Proxy advisory firms fear clamp down; critics have called on lawmakers to regulate ISS and Glass Lewis, citing concerns over "weaponisation of the proxy advisers," foreign ownership and antitrust issues.
- Chipmakers dash for cash before President Trump takes office; Intel, Micron have been promised funds, but no money has yet been disbursed.
- Are mid-cap stocks about to break out? *Barrons* says yes: "The index is beginning to accelerate pricewise and is on the verge of beginning a bull market in relative strength."
- Companies face too many shareholder proposals; when ESG activists hijack the process, the entire system is threatened.
- EU sustainability reporting rules clash with global model; multinational companies face the onerous prospect of duplicative reporting under different regimes.
- Elon Musk expands suit against OpenAI to include Microsoft; alleges antitrust violations and accuses the company of "violating contract provisions by putting profits ahead of the public good in the push to advance AI."

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Strive, 6555 Longshore St, Dublin, OH 43017, United States