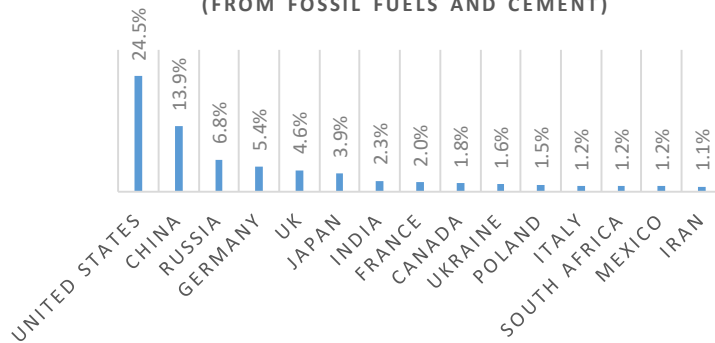


## Divestment or Engagement: Paths to Net Zero from the US Perspective by Andrew G. Buks, College of Business and Natural Sciences, Black Hills State University, SD, USA.

TOP CO2 EMITTING COUNTRIES,  
1750-2020

(FROM FOSSIL FUELS AND CEMENT)



### Climate Change and Investments.

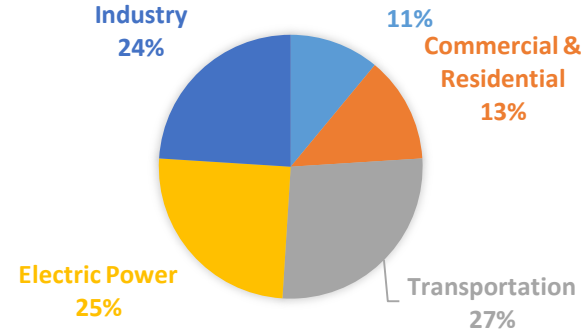
**Climate change** is an essential aspect of any investment. University endowments, pension funds, institutional investors need to consider Environmental, Social and Governance (ESG) factors in their investment decision-making. They can choose to divest or engage fossil fuel companies to help with transition to Net Zero.

### What is Divestment and Engagement?

**Divestment** is a process of the exclusion of carbon-intensive companies from a fund or portfolio.

**Engagement** is a process of leveraging shareholder power to influence corporate behavior through direct engagement with shareholders, boards of companies or their senior managerial teams.

TOTAL US GREENHOUSE GAS EMISSIONS BY  
ECONOMIC SECTOR IN 2020



### Benefits of Divestment and Engagement.

**Divestment:** financial benefits to investors, increasing public awareness about climate change, catalyst for public policy action, and causing reputational damage to fossil fuel companies.

**Engagement:** influence over companies' boards of directors, power to enforce climate change-related goals, and help reduce long-term risks.

### Disadvantages of Divestment and Engagement.

**Divestment:** Loss of shareholder influence, short-term opportunity costs, lack of portfolio diversification, and the risk of political reprisals.

**Engagement:** aggressive shareholder activism can hinder companies' operations and profitability.