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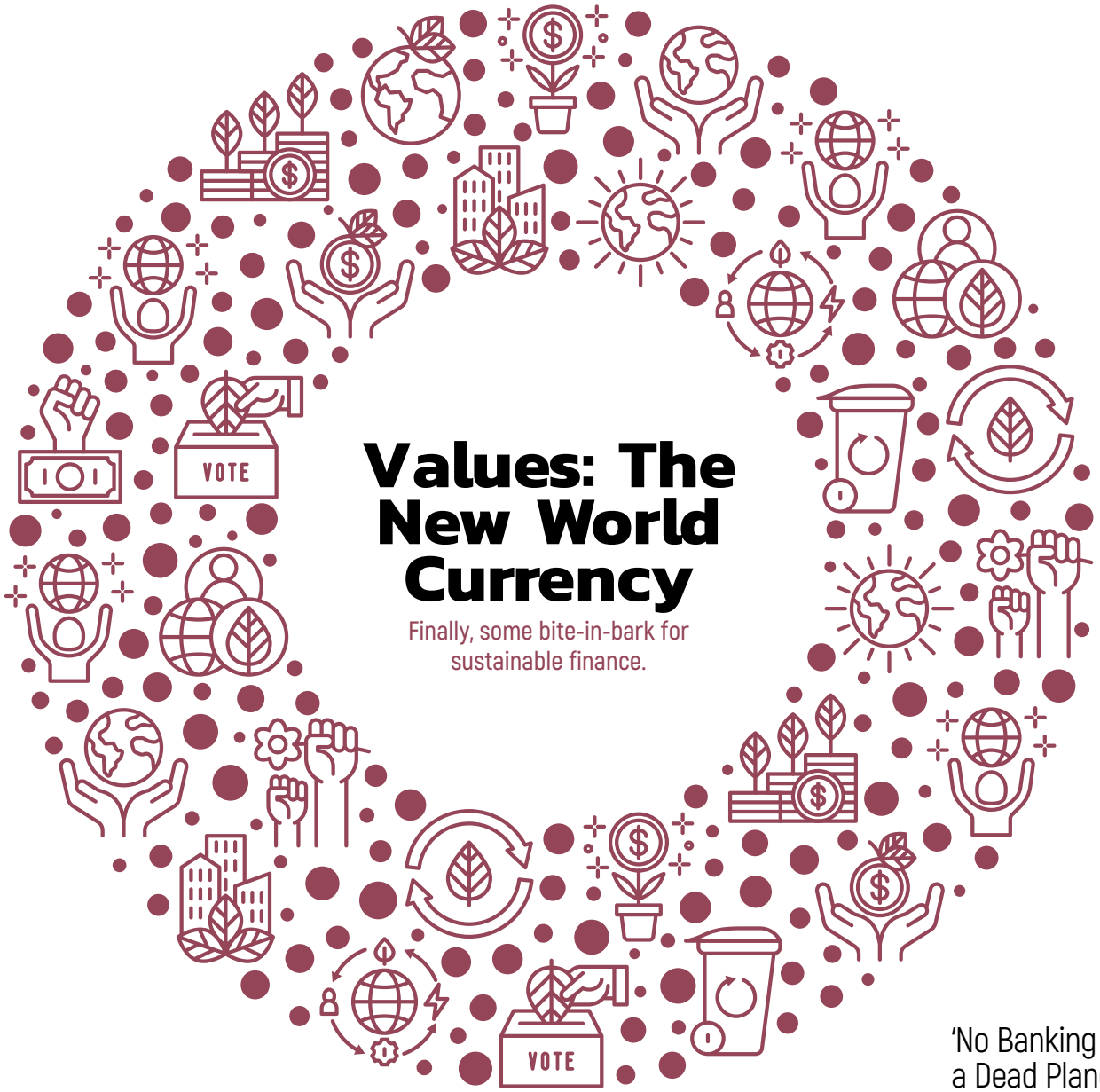

Values: The New World Currency

Finally, some bite-in-bark for sustainable finance.

'No Banking on a Dead Planet'

MANY MARKETS, ONE COMMON LANGUAGE

NOVEL WAYS OF THINKING IN FINANCE

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VALUES: THE NEW WORLD CURRENCY

By Angela Yap Siew Peng

- FINALLY, SOME BITE-IN-BARK FOR SUSTAINABLE FINANCE.

Investors are cranking up the heat on the world's biggest companies.

On 1 May, Berkshire Hathaway Inc, the massive Omaha-based investment holding company chaired by billionaire Warren Buffett, clashed head-on with shareholders at its annual meeting.

At the centre of this controversy are two landmark shareholder proposals, billed as the "litmus test for ESG (environmental, social, and governance) investors".

The first proposal came from a trifecta of institutional investors – California Public Employees' Retirement System (CalPERS), Federated Hermes, and Caisse de Dépôt et Placement du Québec (CDPQ) – who demand that Berkshire declare physical, transitional, and other financial risks in efforts to address climate change and transition to a low-carbon economy. To date, Berkshire is the only major US or European stock that does not disclose its risk exposure to climate change and whose board has repeatedly rejected these pleas.

Stressing its "unusually decentralised" business model, Buffett – the market's most vocal opponent to ESG – has repeatedly said "I don't believe in imposing my political opinions on the activities of our businesses" and gives vast independence to its subsidiaries as long as they deliver on the numbers.

"We are not going to shy away from holding Berkshire accountable just because it's run by Warren Buffett," said Simiso Nzima, CalPERS' Head of Corporate Governance.

The second proposal was for Berkshire to report its diversity, equity, and inclusion (DEI) efforts across its 400,000 workforce. This was mooted by As You Sow, an American non-profit for shareholder advocacy, on behalf of a small retail investor.

> At the centre of this controversy are two landmark shareholder proposals, billed as the "**LITMUS TEST FOR ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) INVESTORS**".

Unsurprisingly, both proposals were rejected, given that the 'Oracle of Omaha', as Buffett is known, controls almost one-third of votes and continues to hold enormous sway over retail investors.

What is surprising this round is that 25% of shareholders' votes went against Buffett and his management team, surpassing the usual 3% or less opposition. Media outlets including *Reuters* comment that this is "greater discontent than Berkshire shareholders historically demonstrate", leading to questions on whether the 90-year-old Buffett could possibly be out of sync with the times.

TURNING THE BEND

Whichever camp you're in, it's undeniable that shareholder activism is on the rise and investors are demanding that ESG targets be placed squarely on the shoulders of boards and top of the corporate agenda.

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