

Shareholders and Divestment Decisions

Gaizka Ormazabal, IESE Business School, CEPR, ECGI

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Can Investors Save the Planet?



Can investors save the planet?

Jan 7 · House on Fire



Save on Spotify

15

15

33:58

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How Can Sustainable Investment Contribute to Societal Goals?



**Engagement
("Voice")**



**Capital Allocation
("Exit")**



Engagement: Evidence

<u>Study</u>	<u>Number of requests</u>	<u>Sample period</u>	<u>Success rate</u>
Dimson et al. (2015)	2,152	1999-2009	18%
Hoepner et al. (2016)	682	2005-2014	28%
Barko et al. (2017)	847	2005-2014	60%
Dimson et al. (2018)	1,671	2007-2017	42%
Dyck et al. (2019)	147	2004-2013	33%

Success rate along the 3 dimensions of ESG:
E < S < G



Capital Allocation: Evidence

Capital allocation has impact through 2 mechanisms:

- It creates **incentives** to improve ESG practices
 - Screening approaches of sustainable investors can affect asset prices (e.g., Hong and Kacperczyk, 2009)
 - But there is no consensus on how strongly changes in demand affect share prices and thus decarbonization efforts.
- It affects **growth** (through the level of financing)
 - Provide capital in concessionary terms (e.g., Cravo and Piza, 2016)
 - Increase the cost of capital by underweighting unsustainable companies (e.g., Beltratti, 2005)
 - Overall, only partial evidence of these effects.

“Voice” vs “Exit”



**Engagement
 (“Voice”)**



Theoretical conditions

- Prevalence of monetary preferences
- Elasticity of market shares
- Coordination among investors
- Efficiency of clean technology



**Capital Allocation
 (“Exit”)**

Sources: Heinkel, Kraus, and Zechner (2001); Broccardo, Hart, and Zingales (2022)

Beyond “Voice” and “Exit”:

“Indirect” impacts

The activity of investors influences a third party (Kölbel et al, 2020):

- **Stigmatization:** An investor tainting a company’s image in public;
- **Endorsement:** An investor endorsing and promoting a company’s sustainability performance;
- **Benchmarking:** Investors supporting rating agencies that measure and benchmark companies’ ESG performance;
- **Demonstration:** Investors encouraging other investors to follow their lead. Examples:
 - Help establish sustainable investment as social norm
 - Pioneer investment projects

“Indirect” Impacts: Evidence?

Indirect Impact

Stigmatization

Endorsement

Benchmarking

Demonstration

Evidence?

No evidence!

Weak evidence

(In)consistency of ESG benchmarks

No evidence!

Conclusion: Little evidence

Becht, Pajuste, and Toniolo (2025) fills this gap!

Stigmatization through Divestment

SANCTIONING APARTHEID

Edited by Robert E. Edgar



SANCTIONS, DISINVESTMENT, AND US CORPORATIONS IN SOUTH AFRICA

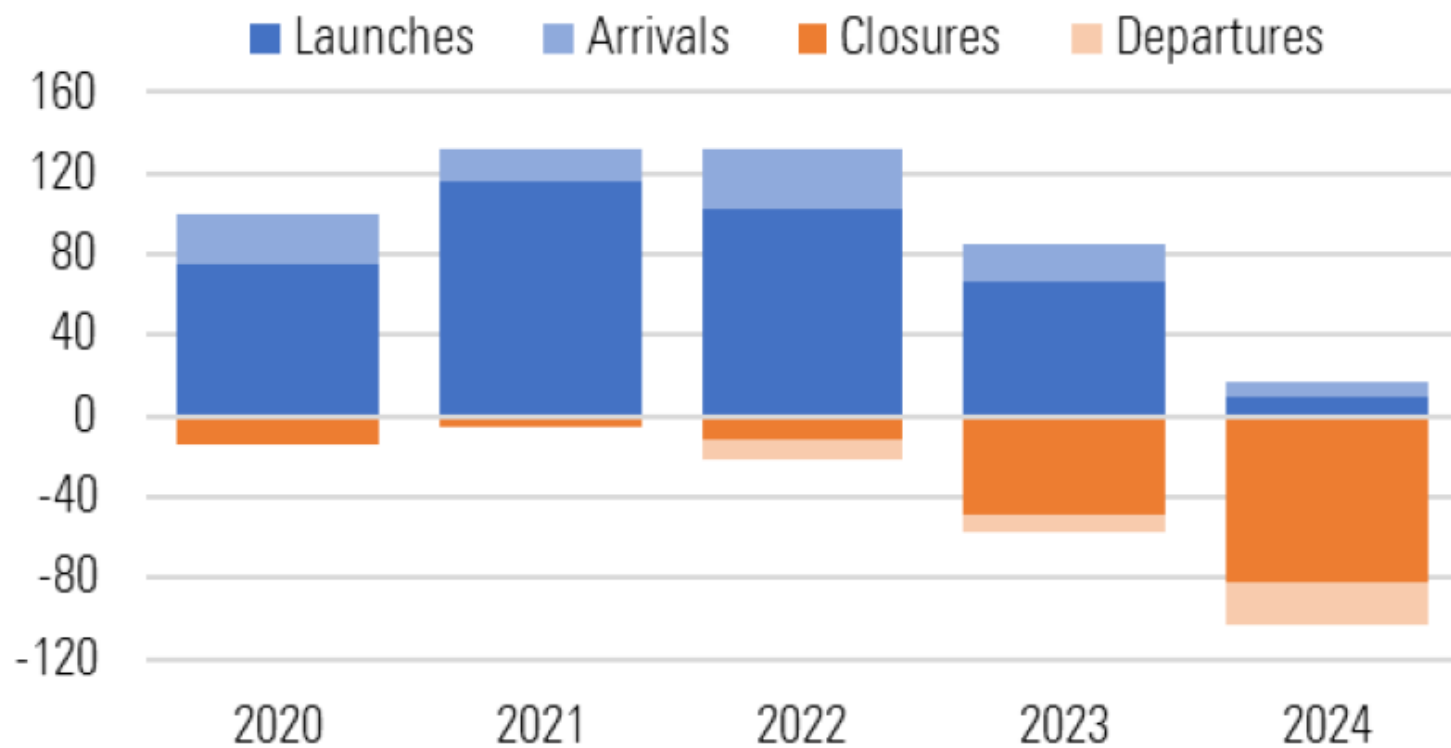
Richard Knight

Future historians may date mid-1984 as a turning point in the history of South Africa. Massive protests inside South Africa combined with escalating pressure internationally to force substantial capital flight and perhaps the greatest challenge to the continuation of white minority rule in recent history. In the five years since then, some 200 US and more than 60 British companies have withdrawn from South Africa, international lenders have cut off Pretoria's access to foreign capital, and the value of the rand, South Africa's currency, has dropped dramatically. South Africa's economic relations with the international community have been significantly altered.

Open Questions

- **How do “indirect impacts” compare to the traditional “exit” and “voice” mechanisms?**
 - Is the magnitude of their effect on decarbonization larger/smaller?
 - Are they more/less sensitive to political swings and/or to social sentiment?

Sustainable Funds in the US



Open Questions

- **How do “indirect impacts” compare to the traditional “exit” and “voice” mechanisms?**
 - Is the magnitude of their effect on decarbonization larger/smaller?
 - Are they more/less sensitive to political swings and/or to social sentiment?

- **Do “indirect impacts” have clearly positive welfare consequences?**
 - Are there meaningful spillover effects on “green” firms?
 - What is the effect on consumer welfare?

In Summary

- There is still much to learn about **the role of investors** in the transition towards a more sustainable economy.
- A complete understanding of such role should go beyond the traditional “**exit**” vs “**voice**” dilemma and examine “**indirect**” impacts.
- This paper is a great start in this direction, but we need more work to understand the **welfare consequences** of these “indirect” impacts.