



## Divestment 101

**Divestment is the act of selling all of one's shares of a given company or type of asset for explicit political or social reasons.** It is the most extreme action an investor can take to reprimand irresponsible corporations, but it is only effective if it is done very publicly and intentionally - and as part of a vocal movement!

Divestment is related to **negative screening**, the practice of excluding certain companies or industries from an investment portfolio. For example, an investor may decide to screen out:

- Tobacco companies
- Alcohol companies
- Gambling companies
- Weapons manufacturers
- Nuclear power companies
- Fossil fuel companies (coal, oil, gas, etc.)
- Companies with especially poor human rights or environmental records

The difference is very slight. **Divestment** is the act that creates the broader policy for assessing future investments, the **negative screen**. For example, students calling for universities to divest from fossil fuels want to divest their current holdings and want a negative screen on all fossil fuel companies for the future.

Let's be clear – **negative screening or divestment is an ineffective strategy to change a company's behavior when it is done quietly and individually.** Of course, there is always an individual institution that starts a divestment movement, but having that aim is much different from enacting a negative screen in order to personally have a morally sound portfolio. That is a valid ethical choice, but it cannot be mistaken for effective direct engagement with a company – which tactics like shareholder activism can provide.

A **divestment movement** happens when multiple investors decide to divest and enact the same negative screen, accompanied by widespread media coverage. The goal of divestment is to publicize a crisis – such as apartheid in South Africa, genocide in Sudan, or repression in Burma – in the hope of *delegitimizing* the perpetrators of that crisis and the companies that enable them. Another goal is that companies meet the demands of the people on the frontlines of their bad practices: for example, hotel workers received tens of thousands of dollars in backpay owed to them after students from several universities won divestment from HEI Hotels & Resorts.

**So, when do you stay in a company and try to change it, and when do you divest?** One *suggestion* would be to engage with industries you think should exist and can be improved, and divest from industries you think should not exist at all.

However, that is an oversimplification of the logic. Many people believe that *most* industries should not exist, yet engage with them to enact real change in peoples' lives and build power *now*.

The Penn campaign to divest from HEI sought to improve HEI's labor practices through engagement, with the ultimate goal of divestment if HEI did not meet *all* of workers' demands. So, divestment was a strategic choice that won a victory for workers when other pressure tactics had failed.

Another nuanced divestment strategy would be to divest all but \$2,000 worth of stock in a company so that you could still file shareholder resolutions – what is called **symbolic holdings**.

Again, because divestment is seen as a last-resort, extreme tactic, it is useful when **part of a movement** and when one of its primary goals is to create a **cultural shift** delegitimizing the target companies in society. Especially when targeting very large industries like fossil fuels, rarely is it the case that even a divestment movement would significantly impact the financial bottom-line of those companies.

#### **Students are currently divesting from...**

- The fossil fuel industry
- Land grabs & illegal settlements
- Arms manufacturers
- The prison system (see flier, artist unknown)
- Companies with labor rights violations

#### **Who can divest?**

- Schools
- Religious institutions
- Pension funds
- Foundations
- Anyone who invests money, including individuals

## Checklist for Divestment

Because endowment structures, student-administrator relationships, and many other factors differ between institutions, the twists and turns of a divestment campaign could never be summarized in a simple checklist. But, here are a few steps in the framework of a typical campaign:

- 1) **Build a strong core team.**
- 2) **Talk with most-directly impacted communities to determine your demands and define the target who can deliver those demands to you.** What do you want to divest from? What are your demands along the way? Who is the target that can give you those demands?
- 3) **Build a base.** Educate people about your campaign and the issue at stake. Form coalitions with other groups on and off-campus. Get media involved. Use the power of the movement.
- 4) **Enter negotiations with your target, to make your long-term demand.** Also, have some easier short- and mid-term demands that you could win immediately.
- 5) **Increase pressure strategically** before, during, and after negotiations – as needed until you win your demands.