

What's Blooming

Our monthly spotlight on the latest in values-aligned investing across Wall Street and the world.

ESG IN THE NEWS

Widening Russia Impact Across Financial Markets

Investors remain curious about how their portfolios may continue to directly or indirectly support Russia.

- **US companies with Russian business.** More than 400 companies have withdrawn from doing business in Russia. Many of these are high-profile consumer brands such as McDonalds, Starbucks, American Express, Ikea, and Heineken. Aside from the reputation risk of staying in Russia, there is no way for a western company to repatriate profits or convert Rubles to US dollars or Euros – so the only option is to shut down. These companies are unlikely to return to Russia as long as Putin remains in power.
- **Bank write-downs expected.** Citigroup is the US bank with the largest presence in Russia. The bank's total exposure is \$10 billion and roughly 3,000 employees. A worst-case write-down is expected to be about \$5 billion. Other US banks including Goldman Sachs and JP Morgan also plan to wind down Russian operations. Citigroup stock has been a laggard and is down 24% over the past year vs. an 18% gain for the S&P 500.
- **Pension funds take a hit.** BlackRock has \$17B of losses on Russian securities held in client portfolios and pension funds. New York State pension funds announced plans to divest \$300 million of Russian stocks. For now, many investors remain stuck with Russian exposure since the Moscow stock market remains indefinitely closed.
- **Aircraft write-downs are coming.** Aircraft leasing companies are expected to take a \$10 billion write-down for over 500 planes that were seized by the Russian government. These planes may continue to operate within Russia's borders. Most of these leasing companies are based in the European Union. The seizure of the planes is also expected to spark a legal battle with insurance companies as leasing companies look to cover their losses.

Beyond direct or indirect support of Russia, investors' portfolios continue to feel the effects of the war through global market disruptions.

- **Oil impacts are not abating anytime soon.** Russia is the world's largest exporter of oil. The country produces 11.3 million barrels per day and exports over 60%. About two-thirds of oil exports are to countries that have imposed sanctions against Russia, so those flows will cease for now. Another 20% or 1.6 million barrels per day are exported to China. Based on the supply constraints in oil, prices have surged from \$80 to \$120, driving energy to be the best performing sector in the S&P 500 with a year-to-date gain of over 40%. <https://www.washingtonpost.com/business/2022/03/08/russia-oil-imports-ban/>
- **Fertilizer prices hit record levels.** Russia is a major supplier of fertilizers, with a 20% share of world exports. The loss of Russian supplies has driven fertilizer prices to record levels, which could result in lower crop yields, higher food prices, and food shortages around the world. Many companies involved in the food supply chain are likely to experience negative

impacts from fertilizer shortages. Mosaic Company (MOS), one of the largest North American fertilizer companies, has seen its stock surge almost 70% year to date.

SEC Proposes Mandatory Climate Disclosures

As expected, the SEC released its proposed climate disclosures in late March. The proposal will require all public companies to disclose Scope 1 and Scope 2 emissions (and Scope 3 if material) starting in 2024. Smaller companies will have until 2026 to meet the disclosure requirements. While the SEC's proposal could theoretically drive companies to better communicate and address their own climate risks, critics rightfully fear the possibility of a burdensome, red-tape process that does not produce the intended effect of transparency for end investors. If the SEC instead focused on having asset managers substantiate the ESG labeling of their investment products, many managers would be forced to either change their labels or deepen their ESG process, which in turn would further incentivize companies to address climate issues, or else risk being removed from inaccurately labeled "ESG" investment products.

<https://www.cnbc.com/2022/03/24/the-sec-climate-rule-7-things-investors-need-to-know.html>

<https://www.bloomberg.com/opinion/articles/2022-03-22/the-sec-will-regulate-climate>

<https://www.nasdaq.com/articles/bidens-sec-battling-esg-greenwashing>

VALUES IN ACTION



Earth: Starbucks to phase out disposable coffee cups. Starbucks (SBUX) recently announced plans to phase out its iconic white paper cups and single-use plastics for more sustainable options. Starbucks uses 7 billion disposable cups each year with many ending up in landfills or the ocean. The change is consistent with the company's goal to reduce waste by 50% by 2030. The company is piloting reusable cup programs in eight markets. Under the "borrow-a-cup" program, customers can pay a \$1 deposit and take a reusable cup with them. These cups can then be returned, professionally cleaned, and reused by other customers. Some Starbucks are also piloting washing stations for reusable cups. Other markets are allowing customers to bring their own personal reusable cups with pricing discounts favoring reusables.

<https://www.cnbc.com/2022/03/15/starbucks-unveils-new-plans-to-eliminate-single-use-cups-encourage-reusable-mugs.html>

At this time, Seeds has no direct exposure to SBUX though we acknowledge the shift to reusables may lead to better sustainability ratings down the road.



People: Amazon workers vote in favor of unionization in New York. Amazon (AMZN) workers are looking to form a union at facilities in Alabama and New York. In a surprise development, workers voted 55% in favor of a union at the JFK8 facility in New York. The success in New York is a historic win and is the first union facility for Amazon in the US. Staten Island is on its second try after failing to sign up a minimum 30% of employees. Amazon workers are seeking to improve pay, enhance health and safety, and get more humane treatment from supervisors. In recent weeks, Amazon has held many "meetings" and

“training sessions” to discourage employees from voting in favor of the union. Amazon’s stance is that workers are better off having a direct line of communication with the company rather than through a union.

<https://www.nytimes.com/2022/03/24/business/amazon-meetings-union-elections.html?searchResultPosition=1>

Seeds does not hold AMZN in any portfolios because of concerns over corporate governance and how the company treats its workers.



Corporate Integrity: Animal welfare is on the menu at Kroger. According to the WSJ, billionaire investor Carl Icahn has launched an activist campaign against Kroger (KR) citing animal welfare and CEO pay practices. Icahn is seeking two board seats at the company though he says he only owns 100 shares. KR stock has underperformed and is up 65% since 2017 vs. a 178% gain for the S&P 500. Mr. Icahn is seeking to eliminate use of gestation stalls which are small crates that cause unnecessary suffering for hogs. He also cites a large pay disparity where Kroger’s CEO makes almost 900 times more than the average employee. Icahn has also launched a similar proxy fight at McDonalds (MCD). He has publicly stated that profit is not a motive with these animal welfare campaigns. We find these developments interesting and wonder if Icahn will be successful with his new sustainable activist investor approach.

<https://www.cnbc.com/2022/03/29/carl-icahn-is-expanding-his-animal-welfare-campaign-to-kroger.html>

Seeds owns KR in its portfolios and we are supportive of any catalysts that may accelerate the company’s sustainability practices.

SEEDS PORTFOLIO SPOTLIGHT

Nasdaq Leads on Cybersecurity

With \$5.9 billion in revenue, Nasdaq Inc. (NDAQ) is a new holding in Seeds portfolios. Nasdaq engages in trading, clearing, exchange technology, regulatory, securities listing, information, and public and private company services. Nasdaq is a financials company evolving into a high-performance technology company with revenue growth of 18% last year. Nasdaq’s Anti-Financial Crime solutions business works to ensure transparent markets and root out criminal activity which is particularly important given the increasing need for cybersecurity. The company is also seeing strong growth in its ESG, index, and analytics businesses. Nasdaq has a good sustainability profile with a focus on culture and diversity & inclusion. About 30% of the company’s managerial staff are women. In addition, both the CEO and CFO are women. Nasdaq also plans to release more information about its board diversity going forward.

ADVISOR PERSPECTIVES

New global research from BNY Mellon [Pathway to Inclusive Investment](#) reveals why encouraging more women to invest matters. The research estimates that if women invested at the same rate as men there could be more than \$3.22 trillion of additional capital to invest globally, with over \$1.87 trillion flowing to more responsible investments. The research further revealed that over half of women (55%) would invest – or invest more – if the impact of their investment aligned with their personal values highlighting the importance of financial advisors learning how to move beyond anchoring client conversations about investments on just goals and time horizons.

PLANTED SEEDS

- ESG Clarity published our piece on why [demand for ESG investments hints that investors want to fulfill a sense of purpose](#).
- Seeds Portfolio Manager and Head of ESG Investing Kuni Chen was interviewed by Sasha Chasen as part of the [OETV ESG Series](#) to share his perspective on the limitations of ESG data standardization and key tips for strategic partnerships that engage sustainable & value-aligned investment.
- Seeds Founder and CEO Zach Conway and Chairman Mike Conway joined some of the industry's most innovative leaders during ESG Week on the Carson Group Framework Podcasts on two separate episodes. You can hear both episodes on [Apple Podcasts](#) or [Spotify](#).
- Seeds COO and Head of Product Kristen O'Grady shares how to engage more women in investing and how Seeds can help on the [GetReal! RVN TV show](#).

To learn more, contact the Seeds team at support@seedsinvestor.com or visit our website at www.seedsinvestor.com.

Seeds Investor LLC ("Seeds") is a Registered Investment Advisor ("RIA"), located in the State of New York. Seeds provides investment advisory and related services for clients nationally. Seeds will maintain all applicable registration and licenses as required by the various states in which Seeds conducts business, as applicable.

This document is for your private and confidential use only, and not intended for broad usage or dissemination. Past performance is no guarantee of future returns. Nothing contained in this publication shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Opinions shown in this publication are solely those of Seeds and may not be accurate or complete. Seeds does not get any compensation from linking to news articles and does not take any responsibility for the accuracy of such articles or information therein.

*Holding examples mentioned are for illustrative purposes and may or may not represent actual holdings in an individual's personalized Seeds Portfolio. Investors are to refer to their financial advisor or custodian for a list of actual holdings.

Seeds began managing advisory client assets March 23, 2020. Although this material is based upon information the advisor considers reliable and endeavors to keep current, the advisor does not assure that this material is accurate, current or complete, and it should not be relied upon as such. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. All investments include a risk of loss that clients should be prepared to bear. The principal risks of the advisor's investment services are disclosed in the publicly available [Form ADV Part 2A](#).