

What's Blooming

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

ESG IN THE NEWS

ESG Strategies Under Scrutiny.

Most asset classes continue to face volatility amid Russian aggression, Covid lockdowns in China, global supply chain disruptions, surging oil prices, surging inflation, and pending Fed rate hikes. The S&P 500 is down 13% for the year (as of May 11) as widespread investor sentiment turns negative. Russia's invasion of Ukraine has driven WTI crude oil prices up 35% to more than \$100 per barrel this year, resulting in a 41% increase for energy sector stocks for the year as of May 11.

As demand for values-aligned investing continues to grow, critics of ESG investing have used this moment of energy outperformance as evidence that ESG investing is inherently [flawed](#), given ESG approaches often screen certain traditional energy out of broad index exposure. And yet, the energy sector today represents just 4.4% of the S&P 500 Index, up from 2.9% one year ago. For now, energy companies are playing a larger role in broad market returns.

Meanwhile, critics tend to overlook a typical central premise to ESG investing: For long term investors, short-term shocks driven by unprecedented market conditions should not necessarily change longer-term views related to climate risk and other material risks related to traditional energy.

VALUES IN ACTION



Earth: Chevron to invest in Texas carbon capture project.

Talos Energy and Chevron plan to [invest in](#) the Bayou Bend carbon capture and sequestration hub off the Texas coast. The idea is to take carbon emissions from industrial facilities near Beaumont and Port Arthur and inject the gas into rock formations under the Gulf of Mexico. This is the first offshore lease for carbon sequestration. The Bayou Bend CCS project covers 40,000 acres and could potentially sequester 225-275 million metric tons of CO₂ over time. *Chevron does not meet Seeds' rules framework because of the company's massive carbon footprint and related risk exposures as an integrated fossil fuel energy producer.*



People: Citibank gender pay gap remains daunting.

Citibank's [latest ESG report](#) shows a 26% gender pay gap across the company, a slight improvement since 2018 when the pay gap was 29%. This is a "raw" number based on

median male v. median female compensation across the company. The large pay gap highlights the under-representation of women in leadership and high paying senior executive roles. *Citibank does not meet Seeds' rules framework because of its business ethics performance and related risk exposure sits above threshold levels.*



Corporate Integrity: SEC suing Vale over misleading ESG statements.

On April 28, the SEC filed a [securities fraud lawsuit](#) against Brazilian mining company Vale. This is the first of its kind over a company's ESG statements. In 2019, the Brumadinho tailings dam collapsed and released a massive mudflow that killed 270 people. The SEC alleges that between 2016 to 2018, Vale made false and misleading claims to investors regarding safety and risks with the Brumadinho dam. The SEC further alleges that company executives were reckless in not knowing that the dam did not meet safety guidelines while putting out sustainability reports that discuss environmental responsibility and management of dam safety. *Vale does not meet Seeds' rules framework due to its environmental impacts and the related risks.*

SEEDS SPOTLIGHT

Checking in on Lululemon Athletica

Lululemon generates over \$7 billion of sales through 574 company-operated stores and online sales in 17 countries. As a healthy lifestyle brand, Lululemon promotes a strong message of sustainability and wellbeing. The company has an impact agenda with three priorities: Be Human, Be Well, and Be Planet. The Be Human pillar encompasses diversity & equity and employee engagement for the company's 29,000 employees. The company is a strong example of gender diversity; 75% employees are women. In addition, 50% of VPs and 55% of the Board are women. The company also has a target to improve racial diversity in its stores from 30% to 40% by 2023. Be Well includes the company's impact through non-profit partnerships, charitable donations, and grants. Lululemon makes more than \$10 million in grants and donations each year. Lastly, the Be Planet focus prioritizes environmental impact, including use of recycled polyester and water conservation in the textile dyeing process. Lululemon is currently at 39% recycled polyester use and is targeting 75% sustainable materials by 2025 (up from 30% at present).

ADVISOR PERSPECTIVES

Anyone trying to understand how ESG investing got to where it is today might be surprised to learn about its origins [dating back to](#) Milton Friedman. A lot has changed since the early days, but increasingly many advisors are acknowledging that it's their fiduciary duty to consider ESG factors, even if not looking to align investments with values. "There's an optic around ESG that it is mainly a marketing approach," says Mike Hunstad, head of quantitative strategies at Northern Trust Asset Management. The reality, in his view, is that "100% of this is client-driven. With European and Australian clients, they demand it. It's basically table stakes."

PLANTED SEEDS

- Seeds Founder and CEO Zachary Conway shares in an article published on [WealthManagement.com](https://www.wealthmanagement.com) why direct indexing isn't the answer to the monumental shift in demand for values-aligned investing. "By positioning direct indexing and its supposed benefits as the solution to values-aligned investing, advisors prioritize selling a product over listening to their clients."
- As part of the [Empire Startups Fintech Conference](#), Seeds Founder and CEO Zachary Conway joined Patrick Wood Uribe, CEO of Util and Darshita Gillies, Founder & CEO at Maanch to discuss the challenges facing the financial services industry in adoption and integration of responsible investing solutions and how they have built their technologies to overcome them in a panel moderated by Francesca Lorenzini from Sustainable Development Capital, LLP.

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

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