



Fossil-free investment funds: a ranking of over 100 UK 'sustainable' investment funds

Contents

1.	Executive Summary	3
2.	Introduction and Background	5
3.	Methodology: our emerging standards for divestment	9
4.	Overall Results	13
5.	Unit Trusts	22
6.	Life Funds	31
7.	Pension Funds	37
8.	Investment Trusts	44
9.	Offshore Funds	46
10.	Exchange Traded Funds (ETFs)	50
Appendix 1	Case studies: examining some of the fossil-fuel companies found in sustainable funds	55
Appendix 2	Glossary and types of funds.	59

Given the existential threat to the environment and humanity posed by the climate crisis, we need to stop burning fossil fuels as quickly as possible. Ethical Consumer therefore believes that investment funds which are marketed under the banner of ‘sustainability’ should, as a minimum, avoid investing in the fossil fuel sector.

We have ranked the climate policies and fossil-fuel divestment criteria of more than 100 of the largest ‘sustainable’ UK funds and trusts to cut through the greenwash and open up the discourse around the practicalities of fossil-fuel divestment.

According to research into the oil and gas sector across thirty-three countries, published in the Journal of Economic Geography¹, divestment can reduce access to capital for fossil fuel companies and make further exploration more difficult.

Our five-star rating system aims to drive transparency, highlight best practice, and challenge the reliance on ‘engagement’ strategies in the UK asset management sector.

The ratings in this report are also designed to give consumers the confidence to make climate-conscious investment decisions across a range of fund types, including unit trusts, pensions, and investment trusts.

1.2

Our main findings

Nearly a quarter of funds/trusts, 23 out of 108 products, invested in companies on the Carbon Underground 200™² or were not disclosing sufficient information for us to know.³

And 18% of funds invested in companies on either the Macroclimate®³⁰⁴ or top ten oil services/infrastructure list⁵, or were not disclosing sufficient information for us to know.⁶

The fund with the most holdings on these indices was the iShares Dow Jones Global Sustainability Screened. This product owned stakes in 17 companies on the Carbon Underground 200™, including Anglo American, ConocoPhillips,

- 1 Cojoianu, T.F., Ascui, F., Clark, G.L., Hoepner A.G.F. and Wójcik, D. (2021) Does the fossil fuel divestment movement impact new oil and gas fundraising? Journal of Economic Geography 21 (1) 141–164 <https://doi.org/10.1093/jeg/lbaa027>
- 2 The Carbon Underground 200™, which is compiled and maintained by FFI Solutions, is a list of the 200 largest global publicly-listed coal, oil, and gas reserves owners in the world.
- 3 11 funds (10%) had holdings on the CU200, while 12 (11%) did not disclose their holdings, so were assumed to have holdings on the CU200
- 4 The Macroclimate®30, which is compiled and maintained by Macroclimate®, is a list the 30 largest public-company owners of coal-fired power plants in Developed Markets plus China and India.
- 5 The top-ten leading oil equipment and oil services providers based on revenue.
- 6 6 funds (6%) had holdings on the Macroclimate or top ten infrastructure list, 12 (11%) did not disclose their holdings, so were assumed to have holdings on the Macroclimate or top ten infrastructure list.

Royal Dutch Shell, Tata Steel and TotalEnergies. It was also invested in one company on the Macroclimate[®]30 (Duke Energy), and three companies on the top ten oil services and infrastructure list: Enbridge, Halliburton and Schlumberger.

The ASI Sustainable Index World Equity Pension owned the second highest number of investments across these lists. It had eleven holdings on the Carbon Underground 200™, including BP, INTOCHU and Inpex. It also had five holdings on our top ten infrastructure list, including Enbridge, Halliburton, and Schlumberger.

1.3

Exchange traded funds were the worst performers

Overall, the Exchange traded funds (ETFs) sector was the worst performing investment category in our fossil-free funds research. Each of the ten ETFs analysed scored less than half marks in the ratings.

The sector did have strong portfolio transparency compared to other fund types, with each of the ETFs in the table disclosing all their holdings. However, the passive investment approach taken by ETFs weakened the climate credentials of these funds.

The underlying indices of these funds failed to provide a clear commitment to exclude producers/extractors of coal/oil/gas, and their methodologies provided no evidence that they are focussed on investing in solutions to the climate crisis.

The research found that 20% of rated ETFs were invested in companies on both the Carbon Underground 200™ and Macroclimate[®]30 + top ten infrastructure list.

1.4

Next steps

By publishing detailed rankings on UK retail funds based on their commitment to divesting from fossil fuels, we hope to:

- (a) Help open the discourse around divestment more generally.
- (b) Provide specific pressure on lower ranking funds and the industry more widely to take divestment more seriously.

Rankings should also help improve transparency and fossil-fuel policy disclosure across the entire sustainable fund market in the UK, and give both investors and fund managers the tools and confidence to fully engage with a divestment discourse.

Over time, our ratings will hopefully help the sustainable and other funds sectors to shift assets away from fossil-fuel industries into enterprises that are working to make the low carbon economy a reality.

The ambiguity of sustainable fund branding has grown with the popularity of these investments.

In recent years, asset managers have launched more than a hundred sustainable investments and rebranded tens of existing funds to meet consumer demand among environmentally conscious consumers.

Product providers often use ‘sustainable’ terminology to cover a range of activities and processes with an environmental theme.

While it is encouraging that fund managers are considering ethical practices including recycling, green production and waste reduction, in their selection criteria, Ethical Consumer believes investments using sustainable branding should prioritise the most urgent threat to the future of our planet: climate change.

Increasing numbers of consumers share our interpretation of sustainability and want to place their money with funds that invest in climate solutions and avoid the biggest carbon emitters.

But complicated selection processes, vague definitions and competing environmental, social and governance (ESG) drivers have made it difficult for people to identify investments with effective climate change policies.

Our research, which gives funds a final score out of five, has analysed the fossil-fuel exclusion criteria, holdings and positive selection policies of more than 100 funds⁷ to identify the most climate friendly products in the UK sustainable investments market.

Most funds in the research failed to justify their sustainable branding, with two thirds scoring 2.5 or less in the rankings.

Disappointingly, 10% of the funds analysed were invested in companies on the Carbon Underground 200™, a list of the largest fossil-fuel companies in the world. A further 11% were assumed to hold investments in fossil fuel companies because they did not disclose their portfolio holdings.⁸

A number of funds even owned stakes in some of the largest owners of fossil-fuels – Shell, BP, ConocoPhillips, Chevron and ExxonMobil.

But among all the funds that were sustainable by name-only, the research highlights those that are taking quantifiable action to tackle the climate crisis.

The six top performing funds had clear and transparent criteria to avoid fossil-fuel related industries and high carbon sectors. They also demonstrated an

⁷ While our research covered both investment funds and trusts, we generally use the term ‘funds’ to refer to both, unless otherwise stated – such as in the later sections of this report that are organised by specific fund/trust type.

⁸ Actually, 14 funds (13%) did not publicly disclose their holdings publicly. However, only 12 funds (11%) were assumed to have holdings on the CU200 and Macroclimate/infrastructure lists. This is because the Quilter Climate Assets Balanced Fund and Quilter Investors Ethical Equity didn’t publicly disclose their holdings, but did disclose them to us when we sent them our research for comment. These funds did not contain any holdings on the CU200™ or Macroclimate®30, but were penalised in our scoring system for not disclosing their holdings publicly.

interest in investing in companies and projects that are addressing the climate crisis, such as renewable energy.

Meanwhile the investment trusts that feature in the research invest exclusively in clean energy and forestry initiatives, though lacked clear exclusions criteria to score highly.

The research shows consumers the most climate friendly sustainable funds in each asset class. It also highlights the investments that fail to justify their sustainable branding.

We hope that the research will encourage managers of the worst performing funds to improve their climate policies by setting clear exclusion criteria for the fossil fuel sector and investing in solutions to the climate crisis.

Ultimately, Ethical Consumer aims to improve transparency and accountability across the UK sustainable fund sector by highlighting the products with the most-effective divestment policies and climate focus.

2.1

Why divestment is important

Sustainable and ethical investment funds have become increasingly popular around the world in recent years. But the disparity in how asset managers define and present their green credentials makes it difficult for people to know whether a fund is truly sustainable.

A 2021 report by London-based think tank Influence Map found that more than half of the 723 environmental, social governance (ESG) funds it evaluated fell short of global climate targets laid out in the Paris Agreement of 2015.

Major fund managers and financial institutions continue to argue that they can use their energy sector holdings to 'engage' with fossil-fuel companies and help them transition to the low-carbon economy.

But the investment sector is beginning to recognise the limitations of relying on engagement alone to discourage the extraction and production of coal, oil and gas.

Engagement strategies are difficult to evaluate and often lack quantifiable commitments on emissions reductions and client engagement. In addition, more than 20 years of 'engagement discourse' has completely failed to match the increasing urgency of the changes required to address climate change.

2.2

Changing the narrative

At Ethical Consumer we believe that fossil-fuel divestment strategies should be integral to reducing the carbon impact of coal, oil and gas companies.

In recent years, fossil-fuel divestment has evolved from its small-scale activist roots into a global \$14.5 trillion movement backed by more than a thousand leading pension plans, endowments and investors. However, many funds in the retail (consumer-facing) investment sector continue to ignore divestment in favour of engagement strategies.

Ineffective disclosure regulations

In 2021 the EU introduced its Sustainable Finance Disclosure Regulation (SFDR) alongside a Taxonomy system. In the UK, the Financial Conduct Authority is consulting on regulations that mirror key aspects of the new European measures. And the US Securities and Exchange Commission (SEC) has recently outlined tougher disclosure requirements for stateside Environmental, Social and Governance (ESG) funds.

Critics are already concerned that fund managers are manipulating discretionary allowances under SFDR to secure 'green' ratings for their EU-based funds. For example, an investigation by Reuters found that Legal & General Investment Management had awarded a "light green" rating to the L&G UK Equity UCITS ETF, a tracker fund that includes oil companies BP and Royal Dutch Shell in its top 10 holdings.⁹

We feel that the FCA's narrow focus and its close alignment with a fund management industry which is culturally opposed to a divestment discourse is likely to compromise its aim of providing consumers with the information they need to select genuinely 'sustainable' funds with confidence.

The problem for consumers

There are more than four hundred retail funds on the UK market claiming to be sustainable or ethical. Although many of these products market themselves as 'sustainable', 'responsible' and 'environmental' or reference 'climate change' in their branding, there are significant disparities in how funds justify these claims, with these terms not being subject to regulatory scrutiny.

The most climate-friendly funds set meaningful thresholds of fossil-fuel exposure for potential investments. They give specific details of the fuels and activities excluded by the fund, and rule out investments in carbon-heavy industries and companies providing services to refineries. These products also state that they are focused on positively investing in solutions to climate change. Other funds with similar branding don't even mention fossil fuels, include vaguely worded environmental pledges in their product literature, and can include investments in companies linked to continuing fossil fuel exploration and production.

Differentiating between a genuine sustainable or environmental fund and one that merely wraps itself in the language of sustainability is a difficult job for the consumer – most of whom are unlikely to have the time or knowledge to cut through the greenwash.

9

<https://www.reuters.com/business/sustainable-business/fifty-shades-green-eu-sustainable-fund-rules-muddy-waters-2021-08-19/>

And, as discussed above, there is little evidence that the new climate change disclosure legislations in the UK and Europe will make it any easier for consumers to select carbon-conscious investments. All of this is linked to a strong ‘engagement’ bias in the investment industry at the expense of other approaches including ‘divestment’, legal challenges over corporate contributions to global warming, and withholding new lending from emissions-heavy industries.¹⁰

2.5

The answer

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Over time, our ratings will hopefully help the sustainable and other funds sectors to shift assets away from fossil-fuel industries into enterprises that are working to make the low carbon economy a reality.

According to research into the oil and gas sector across thirty-three countries, published in the *Journal of Economic Geography*,¹¹ this can, in turn, reduce access to capital for fossil fuel companies and make further exploration more difficult.

¹⁰ <https://www.ft.com/content/79851eee-d9e6-4ceb-be16-e9cf8b8c4ddf>

¹¹ Cojoianu, T.F., Ascui, F., Clark, G.L., Hoepner A.G.F. and Wójcik, D. (2021) Does the fossil fuel divestment movement impact new oil and gas fundraising? *Journal of Economic Geography* 21 (1) 141–164 <https://doi.org/10.1093/jeg/lbaa027>

3.

Methodology: our emerging standards for divestment

Ethical Consumer has developed the following 10 criteria, which assesses the policies and holdings of a fund in regard to fossil fuel divestment. For each of the below clauses met by a fund, half a point is scored. The total possible score is 5.

1. Does the fund's literature contain a clear commitment to exclude producers/extractors of coal/oil/gas?
2. Does the fund's literature contain a clear commitment to exclude companies providing essential services/infrastructure for the fossil fuel industry?
3. Does the fund's literature contain a clear commitment to exclude other carbon-intensive sectors? (Must include mention of at least one carbon intensive sector, e.g. livestock farming, fossil fuel power generation.)
4. Does the fund specify a revenue threshold for its fossil fuel exclusions? (Only counted if company excludes coal, oil and gas.)
5. Is this threshold at 5% or less?
6. Does the fund's literature contain a clear commitment that the fund is focused on investing in solutions to the climate/environmental crisis and/or the transition to a low-carbon economy?
7. Does the fund disclose all holdings? (This needs to be done annually at a minimum.)
8. Holdings analysis: Is the fund free of all companies listed on the FFI Solution's Carbon Underground 200™?
9. Holdings analysis: Is the fund free of all companies listed on the Macroclimate®30 + top ten oil services and infrastructure list?
10. Does the fund's policy apply to all funds under management?

3.1

Holdings analysis and transparency

We expected all funds to fully disclose their holdings in a way that was accessible to the public. Doing so (if done at least annually) would earn a fund half a mark.

These holdings were analysed by checking whether they held funds in the Carbon Underground 200™, and the Macroclimate®30 + top ten oil services and infrastructure list. If a fund's holdings were free of companies on these lists then they could gain one mark in total.

If a fund did not publicly disclose all its holdings (for example, if it only disclosed its top ten holdings) then it was assumed to have holdings in all these lists, thereby not gaining any marks for criteria 7,8 and 9.

Carbon Underground 200™: The Carbon Underground 200™, compiled and maintained by FFI Solutions (formerly Fossil Free Indexes), identifies the top 100 coal and the top 100 oil and gas publicly-traded reserve holders globally, ranked by the potential carbon emissions content of their reported reserves.¹²

Macroclimate®30: the 30 largest public-company owners of coal-fired power plants in Developed Markets plus China and India.¹³

Top ten infrastructure list: leading oil equipment and oil services providers based on revenue.¹⁴

3.2

How funds were selected

We used Morning Star and Trustnet to identify funds that had sustainable terms in their branding – ‘ethical’, ‘climate’, ‘environment’, ‘sustainable’ – and assets under management of £500m-plus. The research also automatically included leading sustainable funds from climate-focussed asset managers, including WHEB and Impax.

3.3

Consumer-focus

Ethical Consumer based its analysis on information that was easily available to consumers at the selection stage. Researchers gathered data for the fund ratings from product literature, annual reports and investment descriptions on asset manager websites.

¹² <https://fossilfreefunds.org/carbon-underground-200>

¹³ <https://macroclimate.com/coal>

¹⁴ <https://www.statista.com/statistics/272713/top-oil-equipment-and-oil-services-providers-based-on-revenue/>

3.4

Index-tracker funds

Most of the passive index-tracking investments that were rated under the research referred consumers to the site of an external index for detailed climate policy descriptions.

When rating these funds researchers looked at the exclusions of the index and based the holdings analysis on the portfolio listings of the actual fund, if available.

3.5

What do we mean by coal-free?

The definition of 'coal-free' in the research covers funds that exclude thermal coal, the fuel that is used in the production of electricity.

3.5 (a)

Thermal coal and coking coal

During our research we found that some funds differentiated between thermal coal and coking coal, excluding investments in the former while allowing investments in the latter.

Thermal coal is the type of coal most-commonly associated with global warming. It is a cheap fuel that is burnt to generate electricity.

Coking coal is primarily used to generate heat for the process of steelmaking.

3.5 (b)

Global warming contribution

Both types of coal generate high-levels of carbon emissions that contribute to global warming.

According to the World Steel Association, the steel industry, which relies on coking coal, accounted for between 7% and 9% of global emissions in 2020.¹⁵

While greener alternatives to making steel are becoming increasingly available, 70% of steel produced today relies on coking coal.¹⁶

¹⁵ <https://worldsteel.org/publications/policy-papers/climate-change-policy-paper/>

¹⁶ <https://www.worldcoal.org/coal-facts/coal-steel/>

Why not exclude all types of coal?

Our original fossil-free definition looked for climate policies that excluded investments in all types of coal.

However, during the analysis process we judged that a number of fund managers were likely to be describing their funds as coal-free without disclosing that this definition permitted investments in coking coal.

Meanwhile other product providers specified that the exclusion for this fuel only covered thermal coal and not coking coal.

To avoid penalising these more transparent policies, the research team decided to allow its coal-free criteria to cover funds that only excluded thermal coal, even if they allowed investments in coking coal.

In future years we intend to extend this exclusion to cover all types of coal, including coking coal.

Initial findings

- **64% of the funds/trusts reviewed scored 2.5 points or less (out of a total of 5 points).**
- **38% of the funds/trusts reviewed scored 1.5 points or less.**
- **Only seven funds/trusts scored 4.5 or more.**
- **7% of funds/trusts scored zero points.**
- **21% of funds/trusts invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.**
- **18% of funds/trusts invested in companies on the Macroclimate®30 + top ten oil services and infrastructure list, or were not disclosing sufficient information for us to know.**
- **13% of funds/trusts did not disclose their holdings.¹⁷**

¹⁷ 14 funds (13%) did not publicly disclose their holdings. However, only 12 funds (11%) were assumed to have holdings on the CU200 and Macroclimate/infrastructure lists. This is because the Quilter Climate Assets Balanced Fund and Quilter Investors Ethical Equity didn't publicly disclose their holdings, but did disclose them to us when we sent them our research for comment. These funds did not contain any holdings on the CU200™ or Macroclimate®30, but were penalised in our scoring system for not disclosing their holdings publicly.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
FP WHEB Sustainability Fund	5		
WHEB Sustainable Impact Fund	5		
Impax Asian Environmental Markets	4.5		
SJP Sustainable & Responsible Equity	4.5		
Triodos Global Equities Impact	4.5		
Triodos Pioneer Impact Fund	4.5		
Triodos Sterling Bond Impact Fund	4.5		
EdenTree Responsible & Sustainable European Equity	4		
EdenTree Responsible & Sustainable Global Equity	4		
EdenTree Responsible & Sustainable Sterling Bond	4		
EdenTree Responsible & Sustainable UK Equity	4		
EdenTree Responsible and Sustainable UK Equity Opportunities	4		
Janus Henderson Global Sustainable Equity Fund	4		
Liontrust Sustainable Future Cautious Managed	4		
Liontrust Sustainable Future Corporate Bond	4		
Liontrust Sustainable Future Defensive Managed	4		
Liontrust Sustainable Future European Growth	4		
Liontrust Sustainable Future Global Growth	4		
Liontrust Sustainable Future Managed	4		
Liontrust Sustainable Future Managed Growth	4		
Liontrust Sustainable Future UK Growth	4		
Liontrust UK Ethical	4		

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
Stewart Investors Asia Pacific and Japan Sustainability	4		
Stewart Investors Asia Pacific Leaders Sustainability	4		
Stewart Investors Worldwide Leaders Sustainability	4		
CFP Castlefield Sustainable European Fund Holdings	3.5		
CFP Castlefield Sustainable UK Opportunities Fund	3.5		
Legg Mason ClearBridge US Equity Sustainability Leaders Fund	3.5		
NinetyOne Global Environment	3.5		
Quilter Climate Assets Balanced Fund	3.5		
Sarasin Responsible Global Equity	3.5		
Scottish Widows Environmental	3.5		
BMO Responsible Global Emerging Markets Equity Fund	3		
BMO Responsible Global Equity Fund I	3		
BMO Responsible Sterling Corporate Bond	3		
BMO Responsible UK Equity	3		
BMO Responsible UK Income	3		
Pictet Global Environmental Opportunities	3		
Foresight Sustainable Forestry Company Plc	2.5		
Guinness Sustainable Energy	2.5		
Impax Environmental Markets Plc	2.5		
JLEN Environmental Assets Group Limited Ord NPV	2.5		
M&G PP Positive Impact	2.5		
Mercer Sustainable Global Equity	2.5		
Rathbone Ethical Corporate Bond	2.5		

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

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† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
SDCL Energy Efficiency Income Trust PLC	2.5		
ThomasLloyd Energy Impact Trust PLC	2.5		
Victory Hill Global Sustainable Energy Opportunities Plc	2.5		
Wellington Global Impact Fund	2.5		
ASI Ethical Corporate Bond	2		
ASI Europe ex UK Ethical Equity	2		
ASI Global Sustainable and Responsible Investment Equity	2		
ASI UK Ethical Equity	2		
BlackRock Global Funds – Sustainable Energy Fund	2	Yes	
Handelsbanken Growth Sustainable Multi Asset	2		
Jupiter Ecology	2		
M&G Sustainable Multi-Asset	2	Yes	
Mercer Passive Sustainable Global Equity	2	Yes	Yes†
Pictet Quest Europe Sustainable Equities	2		
Schroder Sustainable UK Equity	2	Yes*	Yes*
Scottish Widows Ethical OEIC	2		
UBS (Irl) ETF plc – MSCI ACWI Socially Responsible	2		
UBS (Irl) ETF plc – MSCI United Kingdom IMI Socially Responsible UCITS ETF (GBP) A-dis	2		
UBS(Lux)Fund Solutions – MSCI EMU Socially Responsible	2		
UBS(Lux)Fund Solutions – MSCI Japan Socially Responsible	2		
UBS(Lux)Fund Solutions – MSCI USA Socially Responsible	2		

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† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
UBS(Lux)Fund Solutions – MSCI World Socially Responsible	2		
7IM Sustainable Balance Fund	1.5		
Aegon AM Ethical Corporate Bond	1.5		
Aegon Ethical Cautious Managed	1.5		
Aegon Ethical Equity Fund	1.5		
Aegon Sustainable Diversified Growth Fund	1.5		
AXA IM Ethical Distribution	1.5		
BlackRock Developed Markets Sustainable Equity	1.5		
Fidelity Funds – Sustainable Asia Equity Fund	1.5		
Fidelity Funds – Sustainable Consumer Brands Fund	1.5		
Fidelity Funds – Sustainable Water & Waste Fund	1.5		
Fidelity Sustainable European Equity (ARC) Pn	1.5		
JPM Europe (ex-UK) Sustainable Equity	1.5		
L&G PMC MSCI World Socially Responsible Investment (SRI) Index	1.5		Yes
Mirabaud – Sustainable Global Focus	1.5		
Premier Miton Responsible UK Equity	1.5		
Quilter Investors Ethical Equity	1.5		
Sarasin IE Sustainable Global Real Estate Equity	1.5		
Stan Life UK Ethical	1.5		
SVM All Europe SRI	1.5		
T. Rowe Price Funds SICAV – Responsible Asian ex-Japan Equity Fund	1.5		
UBS(Lux)Fund Solutions – MSCI Emerging Markets Socially Responsible UCITS ETF(USD)A-dis GBP	1.5		Yes

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Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
UBS(Lux)Fund Solutions – Sustainable Development Bank Bonds	1.5		
Vontobel Fund – mtX Sustainable Asian Leaders (Ex-Japan)	1.5	Yes	
Vontobel Fund – mtX Sustainable Emerging Markets Leaders	1.5	Yes	
ASI Sustainable Index World Equity Pension	1	Yes	Yes
AXA Framlington UK Sustainable Equity	1	Yes	
Fidelity Sustainable Research Enhanced US Equity	1	Yes	Yes
Invesco Responsible Japanese Equity Value Discovery (UK)	1	Yes	
Aviva Pension Climate Transition Global Equity	0.5	Yes*	Yes*
AXA World Funds – Global Factors – Sustainable Equity F Capitalisation	0.5	Yes†	Yes†
iShares Dow Jones Global Sustainability Screened	0.5	Yes	Yes
NEST Ethical Growth	0.5	Yes*	Yes*
RLP Global Sustainable Equity	0.5	Yes**	Yes**
L&G Ethical Global Equity Index	0	Yes*	Yes*
L&G PMC Ethical UK Equity Index Fund 3	0	Yes	Yes*
RLP Sustainable Managed Growth Trust	0	Yes**	Yes**
RLP Sustainable World Trust	0	Yes**	Yes**
Royal London Sustainable Diversified	0	Yes**	Yes**
Royal London Sustainable Leaders Trust	0	Yes**	Yes**
Schroder Sustainable Multi-Factor Equity Fund I Accumulation	0	Yes*	Yes*
Stan Life Ethical	0	Yes*	Yes*













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† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Top performers

Six funds in the research scored 4.5 or more points:

 FP WHEB Sustainability Fund (5)	
 WHEB Sustainable Impact Fund (5)	
 Impax Asian Environmental Markets (4.5)	
 SJP Sustainable & Responsible Equity (4.5)	
 Triodos Global Equities Impact (4.5)	
 Triodos Pioneer Impact Fund (4.5)	
 Triodos Sterling Bond Impact Fund (4.5)	

Each of the seven funds that secured a rating of 4.5 points or more had clear and effective policies to exclude fossil-fuels from their portfolios and demonstrated an appetite to invest in solutions to the climate crisis.

The top performers had meaningful exclusion thresholds and had taken steps to avoid carbon intensive sectors and industries that provide services and infrastructure to fossil-fuel companies.

WHEB's Sustainability Fund and Sustainable Impact Fund, which have the same investment strategy and holdings, received the maximum 5-points after meeting all our fossil-free criteria.

The five funds in second place scored 4.5 points and had similar climate credentials to WHEB's funds. But these funds were marked down 0.5 points for having climate policies that did not apply to all investment products under management.

4.1

Worst performers

Just under two thirds (66%) of the funds rated scored 2.5 or less out of five.

Funds that scored two points or more typically met the criteria for excluding coal, oil and gas, and received the maximum 1.5 marks for fully disclosing their holdings and not owning investments in the Carbon Underground 200™, Macroclimate® 30 + top ten infrastructure list. Though the Mercer Passive Sustainable Global Equity fund was marked down in the portfolio analysis for holding investments in fossil fuel companies.

















Funds with three or more points had climate policies that met additional criteria such as avoiding investments in high carbon and infrastructure sectors, investing in climate solutions, and providing a quantifiable threshold for excluding holdings in fossil-fuel companies.

4.2


Funds to avoid

The research found that 38% of funds, 41 out of 108 products, scored 1.5 points or less in the research. Most of these funds lacked a fossil-fuel exclusion policy and did not invest in climate solutions.

The following funds with sustainable branding received zero-points in the ratings after failing to meet any of the fossil-free criteria:

	RLP Sustainable Managed Growth Trust	
	RLP Sustainable World Trust	
	Royal London Sustainable Diversified	
	Royal London Sustainable Leaders Trust	
	Schroder Sustainable Multi-Factor Equity Fund	
	Rename: L&G PMC Ethical UK Equity Index Fund 3	
	L&G Ethical Global Equity Index PMC	
	Stan Life Ethical	

Meanwhile the following funds, which scored a total of 0.5 points in the ratings, only met the criteria for fully disclosing their holdings:

	AXA World Funds – Global Factors – Sustainable Equity F Capitalisation	
	Invesco Responsible Japanese Equity Value Discovery (UK)	
	ASI Sustainable Index World Equity Pension	
	iShares Dow Jones Global Sustainability Screened	

Royal London – in focus

The literature for the sustainable fund range at Royal London gives consumers several indications that investing in these products will help to tackle the climate crisis.

The brochure features a goggled swimmer in an expanse of natural water, and represents environmental concerns with a leaf icon. It describes a positive screening process, which considers carbon intensity and water usage alongside other ESG factors. And the company discusses “making the world a better place” with investments in sustainable agriculture and electric vehicles.

The key features documents for one of the products in this range, the RLP Sustainable Managed Growth Fund said that investments are selected “because they have a net positive benefit on society” adding that “the fund will not invest in all areas of the market.”

But the fund lacks a fossil-fuel exclusion policy. And investors have no way of knowing whether the product invests in carbon heavy industries because Royal London does not fully disclose the holdings for its sustainable fund range.

The general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list, including Anglo American, BHP Group, BHP Billiton, BP, CLP, ExxonMobil, Galp Energia, Occidental, Royal Dutch Shell, RWE, and Sumitomo.

Holdings analysis

Nearly a quarter of funds/trusts, 23 out of 108 products, invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.¹⁸

And 18% of funds had holdings that feature on the Macroclimate®30 + top ten oil services and infrastructure list, or were not disclosing sufficient information for us to know.¹⁹

The fund with the most holdings on these indices was the iShares Dow Jones Global Sustainability Screened. This product owned stakes in 17 companies on the Carbon Underground 200™, including Anglo American, ConocoPhillips, Royal Dutch Shell, Tata Steel and TotalEnergies. It was also invested in one company on the Macroclimate®30 (Duke Energy), and three companies on the top ten oil services and infrastructure list: Enbridge, Haliburton and Schlumberger.

The ASI Sustainable Index World Equity Pension owned the second highest number of investments across these lists. It had eleven holdings on the Carbon Underground 200™, including BP, INTOCHU and Inpex. It also had five holdings on our top ten infrastructure list, including Enbridge, Halliburton, and Schlumberger.

¹⁸ 11 funds (10%) had holdings on the CU200, while 12 (11%) did not disclose their holdings, so were assumed to have holdings on the CU200.

¹⁹ 7 funds (6%) had holdings on the Macroclimate or top ten infrastructure list, 12 (11%) did not disclose their holdings, so were assumed to have holdings on the Macroclimate or top ten infrastructure list.

5.1

Overall findings

- **54% of unit trusts, 44 out of 81 products, scored 2.5 points or less in the research. Most of these funds lacked a robust fossil-fuel exclusion policy and did not clearly invest in climate solutions.**
- **Around 36% of unit trusts scored 1.5 points or less in the research. Most of these funds lacked a robust fossil-fuel exclusion policy and did not clearly invest in climate solutions.**
- **Only 7 unit trusts scored 4.5 or more.**
- **Five unit trusts scored zero points.**
- **18% of unit trusts were invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.**
- **12% of unit trusts did not disclose their holdings.**

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
WHEB (FP) Sustainability Fund	5		
Wheb Sustainable Impact Fund	5		
Impax Asian Environmental Markets	4.5		
SJP Sustainable & Responsible Equity	4.5		
Triodos Pioneer Impact Fund	4.5		
Triodos Sterling Bond Impact Fund	4.5		
Triodos Global Equities Impact	4.5		
EdenTree Responsible & Sustainable European Equity	4		
EdenTree Responsible & Sustainable Global Equity	4		
EdenTree Responsible & Sustainable Sterling Bond	4		
EdenTree Responsible & Sustainable UK Equity	4		
EdenTree Responsible and Sustainable UK Equity Opportunities	4		
Janus Henderson Global Sustainable Equity Fund	4		
Liontrust Sustainable Future Cautious Managed	4		
Liontrust Sustainable Future Corporate Bond	4		
Liontrust Sustainable Future Defensive Managed	4		
Liontrust Sustainable Future European Growth	4		
Liontrust Sustainable Future Global Growth	4		
Liontrust Sustainable Future Managed	4		
Liontrust Sustainable Future Managed Growth	4		
Liontrust Sustainable Future UK Growth	4		
Liontrust UK Ethical	4		
Stewart Investors Asia Pacific and Japan Sustainability	4		

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
Stewart Investors Asia Pacific Leaders Sustainability	4		
CFP Castlefield Sustainable European Fund Holdings	3.5		
CFP Castlefield Sustainable UK Opportunities Fund	3.5		
Legg Mason ClearBridge US Equity Sustainability Leaders Fund	3.5		
NinetyOne Global Environment	3.5		
Quilter Climate Assets Balanced Fund	3.5		
Sarasin Responsible Global Equity	3.5		
Scottish Widows Environmental	3.5		
BMO Responsible Global Emerging Markets Equity Fund	3		
BMO Responsible Global Equity Fund I	3		
BMO Responsible Sterling Corporate Bond	3		
BMO Responsible UK Equity	3		
BMO Responsible UK Income	3		
Pictet Global Environmental Opportunities	3		
Guinness Sustainable Energy	2.5		
M&G PP Positive Impact	2.5		
Rathbone Ethical Corporate Bond	2.5		
Wellington Global Impact Fund	2.5		
ASI Ethical Corporate Bond	2		
ASI Europe ex UK Ethical Equity	2		
ASI Global Sustainable and Responsible Investment Equity	2		
ASI UK Ethical Equity	2		

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
BlackRock Global Funds – Sustainable Energy Fund	2	Yes	
Handelsbanken Growth Sustainable Multi Asset	2		
Jupiter Ecology	2		
M&G Sustainable Multi-Asset	2	Yes	
Pictet Quest Europe Sustainable Equities	2		
Schroder Sustainable UK Equity	2	Yes*	Yes*
Scottish Widows Ethical OEIC	2		
7IM Sustainable Balance Fund	1.5		
Aegon AM Ethical Corporate Bond	1.5		
Aegon Ethical Cautious Managed	1.5		
Aegon Ethical Equity Fund	1.5		
Aegon Sustainable Diversified Growth Fund	1.5		
AXA IM Ethical Distribution	1.5		
BlackRock Developed Markets Sustainable Equity	1.5		
Fidelity Funds – Sustainable Asia Equity Fund	1.5		
Fidelity Funds – Sustainable Consumer Brands Fund	1.5		
Fidelity Funds – Sustainable Water & Waste Fund	1.5		
Fidelity Sustainable European Equity (ARC) Pn	1.5		
JPM Europe (ex-UK) Sustainable Equity	1.5		
Mirabaud – Sustainable Global Focus	1.5		
Premier Miton Responsible UK Equity	1.5		
Quilter Investors Ethical Equity	1.5		
Sarasin IE Sustainable Global Real Estate Equity	1.5		

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
SVM All Europe SRI	1.5		
T. Rowe Price Funds SICAV – Responsible Asian ex-Japan Equity Fund	1.5		
Vontobel Fund – mtx Sustainable Asian Leaders (Ex-Japan)	1.5	Yes	
Vontobel Fund – mtx Sustainable Emerging Markets Leaders	1.5	Yes	
AXA Framlington UK Sustainable Equity	1	Yes	
Invesco Responsible Japanese Equity Value Discovery (UK)	1	Yes	
AXA World Funds – Global Factors – Sustainable Equity F Capitalisation	0.5	Yes†	Yes†
RLP Global Sustainable Equity	0.5	Yes**	Yes**
RLP Sustainable Managed Growth Trust	0	Yes**	Yes**
RLP Sustainable World Trust	0	Yes**	Yes**
Royal London Sustainable Diversified	0	Yes**	Yes**
Royal London Sustainable Leaders Trust	0	Yes**	Yes**
Schroder Sustainable Multi-Factor Equity Fund I Accumulation	0	Yes*	Yes*

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.















** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

5.2

Top performers

Seven funds in the research scored 4.5 or more points:

 FP WHEB Sustainability Fund (5)	
 WHEB Sustainable Impact Fund (5)	
 Impax Asian Environmental Markets (4.5)	
 SJP Sustainable & Responsible Equity (4.5)	
 Triodos Global Equities Impact (4.5)	
 Triodos Pioneer Impact Fund (4.5)	
 Triodos Sterling Bond Impact Fund (4.5)	

All of these funds had clear and effective policies to exclude fossil-fuels from their portfolios and demonstrated a clear appetite to invest in solutions to the climate crisis, such as renewable energy infrastructure.

These funds had meaningful exclusion thresholds and have taken steps to avoid carbon intensive sectors and industries that provide services and infrastructure to fossil-fuel companies.

WHEB's Sustainability Fund and Sustainable Impact Fund received the maximum 5-points for meeting all our fossil-free criteria.

The Impax Asian Environmental Markets fund, the SJP Sustainable & Responsible Equity fund and the three Triodos funds had similar climate credentials but were marked down 0.5 points for having climate policies that did not apply to all investment products under management.

5.3

Middle-ranking funds

Funds that scored two points or more typically met the criteria for excluding coal, oil and gas, and received the maximum 1.5 marks for fully disclosing their holdings and not owning investments in the Carbon Underground 200™, Macroclimate® 30 or top ten infrastructure list.

The M&G Sustainable Multi-Asset was marked down in the portfolio analysis for holding investments in LG, a company on the Carbon Underground 200™.







Funds with three or more points had climate policies that met additional criteria such as avoiding investments in high carbon and infrastructure sectors, investing in climate solutions, and providing a quantifiable threshold for excluding holdings in fossil-fuel companies.

5.4

Funds to avoid

Around 36% of unit trusts, 29 out of 81 products, scored 1.5 points or less in the research. Most of these funds lacked a fossil-fuel exclusion policy and did not invest in climate solutions.

The following funds with sustainable branding received zero-points in the ratings after failing to meet any of the fossil-free criteria:

	RLP Sustainable Managed Growth Trust	
	RLP Sustainable World Trust	
	Royal London Sustainable Diversified	
	Royal London Sustainable Leaders Trust	
	Schroder Sustainable Multi-Factor Equity Fund	

Meanwhile the AXA World Funds – Global Factors – Sustainable Equity scored a total of 0.5 points in the ratings, only picking up half a point for fully disclosing their holdings.

5.5

Holdings analysis

18% of unit trusts were invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.

12% of funds/trusts invested in companies on the Macroeconomy®30 + top ten oil services and infrastructure list, or were not disclosing sufficient information for us to know.

Royal London was one of the few providers in the research that did not disclose the full holdings for any of its sustainable funds. This means that investors have no way of knowing whether these products invest in carbon-heavy industries. The general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 featured some of the biggest fossil fuel companies in the world, including Anglo American, BHP Group, BHP Billiton, BP, CLP, ExxonMobil, Galp Energia, Occidental, Royal Dutch Shell, RWE, and Sumitomo.

Schroder Sustainable UK Equity and Schroder Sustainable Multi-Factor Equity Fund I Accumulation were also marked as having investments in both indices, given that these funds failed to disclose their holdings too.

Other 'sustainable' unit trusts were more open about investing in companies that have become synonymous with carbon pollution in recent years, as shown in the table below.

For example, AXA Framlington UK Sustainable Equity owns shares in BP, dubbed a 'climate change criminal' by Greenpeace in 2020 for lobbying against climate action, announcing a \$71bn fossil fuel extraction initiative, and using advertising and branding to present itself as a green, renewable energy company.²⁰

And the BlackRock Sustainable Energy Fund discloses a stake in RWE, the German electricity corporation at the centre of a landmark case that seeks to hold carbon intensive corporations to account for their contribution to future climate-related environmental destruction.²¹

It is however encouraging to see that 82% of unit trusts are currently avoiding investing in both the Carbon Underground 200™ and the Macroclimate® 30 + services/top ten infrastructure list. Though with the 36% of unit trusts that scored 1.5 points or less (i.e lacking a robust fossil-fuel exclusion policy and not investing in climate solutions) it is difficult to be confident that they might not go there one day.

²⁰ <https://www.greenpeace.org.uk/news/3-reasons-why-its-right-to-call-bp-a-climate-change-criminal/>

²¹ <https://www.germanwatch.org/en/rwe>

Fund	Holdings on Carbon Underground 200™	Holdings on Macroclimate® 30 + top ten infrastructure list
BlackRock Global Funds – Sustainable Energy Fund	RWE	
M&G Sustainable Multi-Asset	LG	
Vontobel Fund – mtX Sustainable Asian Leaders (Ex-Japan)	CNOOC	
Vontobel Fund – mtX Sustainable Emerging Markets Leaders	CNOOC, LUKOIL	
AXA Framlington UK Sustainable Equity	BP	
AXA World Funds – Global Factors – Sustainable Equity F Capitalisation	Mitsubishi (subsidiaries), Mitsui (subsidiaries), Sumitomo (subsidiaries)	Sumitomo (subsidiaries)
Invesco Responsible Japanese Equity Value Discovery (UK)	Mitsubishi	

6.

Life funds

6.1

Overall findings

- **51% of life funds reviewed scored 2.5 points or less (out of a total of 5 points).**
- **40% of life funds scored 1.5 points or less in the research.**
- **2% life funds trusts scored 4.5 or more.**
- **11% of life funds scored zero points.**
- **16% of life funds invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.**
- **11% of funds/trusts invested in companies on the Macroclimate®30 / top ten oil services and infrastructure list or were not disclosing sufficient information for us to know.**
- **11% of life funds did not disclose their holdings.**

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
SJP Sustainable & Responsible Equity	4.5		
EdenTree Responsible & Sustainable European Equity	4		
EdenTree Responsible & Sustainable Global Equity	4		
EdenTree Responsible & Sustainable Sterling Bond	4		
EdenTree Responsible & Sustainable UK Equity	4		
EdenTree Responsible and Sustainable UK Equity Opportunities	4		
Janus Henderson Global Sustainable Equity Fund	4		
Liontrust Sustainable Future Cautious Managed	4		
Liontrust Sustainable Future Corporate Bond	4		
Liontrust Sustainable Future Defensive Managed	4		
Liontrust Sustainable Future European Growth	4		
Liontrust Sustainable Future Global Growth	4		
Liontrust Sustainable Future Managed	4		
Liontrust Sustainable Future UK Growth	4		
Liontrust UK Ethical	4		
Stewart Investors Asia Pacific and Japan Sustainability	4		
Stewart Investors Asia Pacific Leaders Sustainability	4		
Stewart Investors Worldwide Leaders Sustainability	4		
NinetyOne Global Environment	3.5		
Scottish Widows Environmental	3.5		
BMO Responsible Sterling Corporate Bond	3		
BMO Responsible UK Income	3		
ASI Ethical Corporate Bond	2		

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
ASI Global Sustainable and Responsible Investment Equity	2		
Jupiter Ecology	2		
Schroder Sustainable UK Equity	2	Yes*	Yes*
Scottish Widows Ethical OEIC	2		
Aegon AM Ethical Corporate Bond	1.5		
Aegon Ethical Cautious Managed	1.5		
Aegon Ethical Equity Fund	1.5		
Aegon Sustainable Diversified Growth Fund	1.5		
AXA IM Ethical Distribution	1.5		
BlackRock Developed Markets Sustainable Equity	1.5		
Fidelity Sustainable European Equity (ARC) Pn	1.5		
JPM Europe (ex-UK) Sustainable Equity	1.5		
Premier Miton Responsible UK Equity	1.5		
Quilter Investors Ethical Equity	1.5		
Stan Life UK Ethical	1.5		
AXA Framlington UK Sustainable Equity	1	Yes	
Invesco Responsible Japanese Equity Value Discovery (UK)	1	Yes	
L&G Ethical Global Equity Index	0	Yes*	Yes*
L&G PMC Ethical UK Equity Index Fund 3	0	Yes	Yes*
RLP Sustainable World Trust	0	Yes**	Yes**
Royal London Sustainable Diversified	0	Yes**	Yes**
Royal London Sustainable Leaders Trust	0	Yes**	Yes**

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

























While just over half of life funds scored 2.5 points or less, a high proportion of products in the sector demonstrated strong climate credentials.









The table shows that only one fund scored 4.5 points. But 17 of the 45 life funds, 38%, scored 4 points in the ratings. But the life fund list does not feature any of the sustainable funds that scored 4.5 points or more. Ethical Consumer based its life fund list on Trustnet definitions, with many of the rated funds featuring in several product categories. This means that unit trusts, which are not actively marketed under different fund categories, may not feature on the list of life and pension funds. We recommend that people seek financial advice to find out whether funds that only feature on the unit trust and main fund lists are available under other investment wrappers.

6.2

Top performers

SJP Sustainable & Responsible Equity was the top performing life fund with a score of 4.5 points. The following life funds scored 4 points:











	EdenTree Responsible & Sustainable European Equity	
	EdenTree Responsible & Sustainable Global Equity	
	EdenTree Responsible & Sustainable Sterling Bond	
	EdenTree Responsible & Sustainable UK Equity	
	EdenTree Responsible and Sustainable UK Equity Opportunities	
	Janus Henderson Global Sustainable Equity Fund	
	Liontrust Sustainable Future Cautious Managed	
	Liontrust Sustainable Future Corporate Bond	
	Liontrust Sustainable Future Defensive Managed	
	Liontrust Sustainable Future European Growth	
	Liontrust Sustainable Future Global Growth	
	Liontrust Sustainable Future Managed	

	Liontrust Sustainable Future UK Growth	
	Liontrust UK Ethical	
	Stewart Investors Asia Pacific and Japan Sustainability	
	Stewart Investors Asia Pacific Leaders Sustainability	
	Stewart Investors Worldwide Leaders Sustainability	





6.3

Funds to avoid

The following life funds scored 0 points in the ratings:

	L&G Ethical Global Equity Index	
	L&G PMC Ethical UK Equity Index Fund 3	
	RLP Sustainable World Trust	
	Royal London Sustainable Diversified	
	Royal London Sustainable Leaders Trust	

These funds scored 1 point in the ratings:

	AXA Framlington UK Sustainable Equity	
	Invesco Responsible Japanese Equity Value Discovery (UK)	

Life funds that invest in fossil fuel companies

The research found that 20% of life funds owned stakes in companies Carbon Underground 200™ or were not disclosing sufficient information for us to know.

Six products failed to publish their fund holdings:

- Schroder Sustainable UK Equity
- L&G Ethical Global Equity Index
- L&G PMC Ethical UK Equity Index Fund 3
- RLP Sustainable World Trust
- Royal London Sustainable Diversified
- Royal London Sustainable Leaders Trust

Fund	Holdings on Carbon Underground 200™	Holdings on Macroclimate® 30 + top ten infrastructure list
AXA Framlington UK Sustainable Equity	BP	
Invesco Responsible Japanese Equity Value Discovery (UK)	Mitsubishi	
L&G PMC Ethical UK Equity Index Fund 3	Shell	

7.1

Overall findings

- **64% of pension funds reviewed scored 2.5 points or less (out of a total of 5 points).**
- **44% of pension funds scored 1.5 points or less in the research.**
- **1.6% of pension funds scored 4.5 or more.**
- **13% of pension funds scored zero points.**
- **28% of pension funds invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.**
- **25% of pension funds invested in companies on the Macroclimate® 30 or top ten oil services and infrastructure list, or were not disclosing sufficient information for us to know.**
- **20% of pension funds did not disclose their holdings.**

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
SJP Sustainable & Responsible Equity	4.5		
EdenTree Responsible & Sustainable European Equity	4		
EdenTree Responsible & Sustainable Global Equity	4		
EdenTree Responsible & Sustainable Sterling Bond	4		
EdenTree Responsible & Sustainable UK Equity	4		
EdenTree Responsible and Sustainable UK Equity Opportunities	4		
Janus Henderson Global Sustainable Equity Fund	4		
Liontrust Sustainable Future Cautious Managed	4		
Liontrust Sustainable Future Corporate Bond	4		
Liontrust Sustainable Future Defensive Managed	4		
Liontrust Sustainable Future European Growth	4		
Liontrust Sustainable Future Global Growth	4		
Liontrust Sustainable Future Managed	4		
Liontrust Sustainable Future UK Growth	4		
Liontrust UK Ethical	4		
Stewart Investors Asia Pacific and Japan Sustainability	4		
Stewart Investors Asia Pacific Leaders Sustainability	4		
NinetyOne Global Environment	3.5		
Scottish Widows Environmental	3.5		
BMO Responsible Global Equity Fund I	3		
BMO Responsible Sterling Corporate Bond	3		
BMO Responsible UK Income	3		
Mercer Sustainable Global Equity	2.5		

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
ASI Ethical Corporate Bond	2		
ASI Europe ex UK Ethical Equity	2		
ASI Global Sustainable and Responsible Investment Equity	2		
ASI UK Ethical Equity	2		
Handelsbanken Growth Sustainable Multi Asset	2		
Jupiter Ecology	2		
M&G Sustainable Multi-Asset	2	Yes	
Mercer Passive Sustainable Global Equity	2	Yes	Yes†
Schroder Sustainable UK Equity	2	Yes*	Yes*
Scottish Widows Ethical OEIC	2		
Aegon AM Ethical Corporate Bond	1.5		
Aegon Ethical Cautious Managed	1.5		
Aegon Ethical Equity Fund	1.5		
Aegon Sustainable Diversified Growth Fund	1.5		
AXA IM Ethical Distribution	1.5		
BlackRock Developed Markets Sustainable Equity	1.5		
Fidelity Sustainable European Equity (ARC) Pn	1.5		
JPM Europe (ex-UK) Sustainable Equity	1.5		
L&G PMC MSCI World Socially Responsible Investment (SRI) Index	1.5		Yes
Premier Miton Responsible UK Equity	1.5		
Quilter Investors Ethical Equity	1.5		
Sarasin IE Sustainable Global Real Estate Equity	1.5		

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
Stan Life UK Ethical	1.5		
ASI Sustainable Index World Equity Pension	1	Yes	Yes
AXA Framlington UK Sustainable Equity	1	Yes	
Invesco Responsible Japanese Equity Value Discovery (UK)	1	Yes	
Aviva Pension Climate Transition Global Equity	0.5	Yes*	Yes*
NEST Ethical Growth	0.5	Yes*	Yes*
RLP Global Sustainable Equity	0.5	Yes**	Yes**
L&G Ethical Global Equity Index	0	Yes*	Yes*
L&G PMC Ethical UK Equity Index Fund 3	0	Yes	Yes*
RLP Sustainable Managed Growth Trust	0	Yes**	Yes**
RLP Sustainable World Trust	0	Yes**	Yes**
Royal London Sustainable Diversified	0	Yes**	Yes**
Royal London Sustainable Leaders Trust	0	Yes**	Yes**
Schroder Sustainable Multi-Factor Equity Fund I Accumulation	0	Yes*	Yes*
Stan Life Ethical	0	Yes*	Yes*

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Overall, the pension funds sector featured a high proportion of investments with ineffective climate policies. The research found that around two thirds of pension funds rated scored 2.5 points or less.

The table shows that only one fund scored 4.5 points. And 44%, 27 out of 61, of pension funds scored 1.5 points or less. Most of these low scoring funds lacked a fossil-fuel exclusion policy and did not invest in climate solutions.

Meanwhile, 28% of pension funds were invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.

The sector did, however, feature a number of strong options for climate conscious investors, with 26% of pension funds scoring 4 points in the research.

7.2

Top performers

SJP Sustainable & Responsible Equity was the top performing pension fund with a score of 4.5 points. The following pension funds scored 4 points:

●	EdenTree Responsible & Sustainable European Equity	● ● ● ● ●
●	EdenTree Responsible & Sustainable Global Equity	● ● ● ● ●
●	EdenTree Responsible & Sustainable Sterling Bond	● ● ● ● ●
●	EdenTree Responsible & Sustainable UK Equity	● ● ● ● ●
●	EdenTree Responsible and Sustainable UK Equity Opportunities	● ● ● ● ●
●	Janus Henderson Global Sustainable Equity Fund	● ● ● ● ●
●	Liontrust Sustainable Future Cautious Managed	● ● ● ● ●
●	Liontrust Sustainable Future Corporate Bond	● ● ● ● ●
●	Liontrust Sustainable Future Defensive Managed	● ● ● ● ●
●	Liontrust Sustainable Future European Growth	● ● ● ● ●
●	Liontrust Sustainable Future Global Growth	● ● ● ● ●
●	Liontrust Sustainable Future Managed	● ● ● ● ●
●	Liontrust Sustainable Future UK Growth	● ● ● ● ●
●	Liontrust UK Ethical	● ● ● ● ●
●	Stewart Investors Asia Pacific and	● ● ● ● ●

Japan Sustainability



Stewart Investors Asia Pacific Leaders Sustainability



7.3

Funds to avoid

The following pension funds scored 0 points in the research after failing to meet any of the fossil-free criteria:

	L&G Ethical Global Equity Index	
	L&G PMC Ethical UK Equity Index Fund 3	
	RLP Sustainable Managed Growth Trust	
	RLP Sustainable World Trust	
	Royal London Sustainable Diversified	
	Royal London Sustainable Leaders Trust	
	Schroder Sustainable Multi-Factor Equity Fund I Accumulation	
	Stan Life Ethical	

The pension funds below scored 0.5 points in the ratings. They all demonstrated a commitment to investing in climate solutions but did not meet any of the other criteria for fossil-free funds:

	Aviva Pension Climate Transition Global Equity	
	NEST Ethical Growth	
	RLP Global Sustainable Equity	

Fund	Holdings on Carbon Underground 200™	Holdings on Macroclimate® 30 + top ten infrastructure list
M&G Sustainable Multi-Asset	LG	
Mercer Passive Sustainable Global Equity	EQT, Mitsubishi (subsidiaries), Sumitomo (subsidiaries)	Sumitomo (subsidiaries)
L&G PMC MSCI World Socially Responsible Investment (SRI) Index		Baker Hughes
ASI Sustainable Index World Equity Pension	Aker, BP, Equinor, Galp Energia, Inpex, ITOCHU, OMV, Santos, TotalEnergies, Woodside Energy, Equinor	Baker Hughes, Enbridge, Halliburton, Kinder Morgan, Schlumberger
AXA Framlington UK Sustainable Equity	BP	
Invesco Responsible Japanese Equity Value Discovery (UK)	Mitsubishi	
L&G PMC Ethical UK Equity Index Fund 3	Shell	

8.

Investment Trusts

8.1

Overall findings

- **100% of unit trusts scored 2.5 points or less in the research.**
- **0% of unit trusts scored 1.5 points or less in the research.**
- **0% scored 4.5 or more**
- **0% scored zero points**
- **0% invested in companies on the Carbon Underground 200™.**
- **0% of trusts invested in companies on the Macroclimate® 30 or top ten oil services and infrastructure list.**
- **0% of investment trusts did not disclose their holdings, i.e. all investment trusts disclosed their portfolio holdings so all gained half a mark against this criteria.**

A number of funds/trusts in the research demonstrated a strong climate focus despite receiving a low/average score in the ratings.

For example, all the investment trusts analysed gained marks for being focused on investing in climate solutions, and for not holding investments in the Carbon Underground 200™ or Macroclimate® 30 + top ten infrastructure list. But all were marked down for not having a clear fossil-fuel exclusion policy:

Fund	Score (out of 5)
Foresight Sustainable Forestry Company Plc	2.5
Impax Environmental Markets Plc	2.5
JLEN Environmental Assets Group Limited Ord NPV	2.5
SDCL Energy Efficiency Income Trust PLC	2.5
ThomasLloyd Energy Impact Trust PLC	2.5
Victory Hill Global Sustainable Energy Opportunities Plc	2.5

While these funds received just 2.5 points and were placed at joint 37th position in the table, they had some of the most effective and innovative approaches to sustainable investment in the UK market.

The investment trusts that we rated generally take a more thorough approach to selecting investments than other sustainably branded funds, owning fewer holdings and seeking out innovative smaller-scale projects with an environmental focus.

For example, while most products in the research hold stakes in listed companies and other funds, the Foresight Sustainable Forestry Company invests exclusively in forestry and afforestation sites.

And the ThomasLloyd Energy Impact Trust has limited its holdings to just two solar plant investments NISPI and SolarArise.

Based on their selective investment policies, it is highly unlikely that these investment trusts will invest in fossil-fuels related industries and high carbon sectors. But these funds were marked down for not clearly explaining these implicit exclusions to consumers – something we believe to be important in a sector in which greenwashing is rife.

Ethical Consumer hopes to use the scoring system to prompt managers of these funds to better inform consumers about the positive steps they are already taking to address climate change.

9.1

Overall findings

- 23% of offshore funds reviewed scored 2.5 points or less (out of a total of 5 points).
- 15% of the funds in this category scored 1.5 points out of five or less.
- 31% of offshore funds scored 4.5 or more.
- 8% of offshore funds scored zero points.
- 15% of offshore funds invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.
- 8% of offshore funds invested in companies on the Macroclimate® 30 + top ten oil services and infrastructure list, or were not disclosing sufficient information for us to know.
- 8% of offshore funds did not disclose their holdings.

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
WHEB Sustainable Impact Fund	5		
Triodos Global Equities Impact	4.5		
Triodos Pioneer Impact Fund	4.5		
Triodos Sterling Bond Impact Fund	4.5		
Janus Henderson Global Sustainable Equity Fund	4		
Liontrust Sustainable Future European Growth	4		
Liontrust Sustainable Future Global Growth	4		
Stewart Investors Asia Pacific Leaders Sustainability	4		
Stewart Investors Worldwide Leaders Sustainability	4		
BMO Responsible Global Equity Fund I	3		
M&G PP Positive Impact	2.5		
Invesco Responsible Japanese Equity Value Discovery (UK)	1	Yes	
Schroder Sustainable Multi-Factor Equity Fund I Accumulation	0	Yes*	Yes*

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

The offshore fund sector was the top performing investment category in the research, with 77% of products scoring 2.5 points or more.

The table shows that 9 of the 13, 69%, offshore funds rated in the research scored at least 4 points. And four of these funds scored 4.5 or more.

Only four funds failed to provide a clear statement to exclude producers and extractors of coal, oil and gas:

●	BMO Responsible Global Equity Fund
●	M&G PP Positive Impact
●	Invesco Responsible Japanese Equity Value Discovery
●	Schroder Sustainable Multi-Factor Equity Fund

9.2

Top performers

The WHEB Sustainable Impact Fund was the most climate-friendly offshore fund, receiving the maximum 5 points in the ratings.

The following Triodos funds also had strong carbon policies, with a score of 4.5 points:

●	Triodos Global Equities Impact	● ● ● ● ●
●	Triodos Pioneer Impact Fund	● ● ● ● ●
●	Triodos Sterling Bond Impact Fund	● ● ● ● ●

9.3

Funds to avoid

The Schroder Sustainable Multi-Factor Equity Fund scored 0 points in the research after failing to meet any of the ten fossil-free criteria.

The Invesco Responsible Japanese Equity Value Discovery (UK) scored 1 point in the ratings, and only met the criteria for fully disclosing its holdings and not investing in companies that feature on the Macroclimate®30 + services + top ten infrastructure list.

Fund	Holdings on Carbon Underground 200™	Holdings on Macroclimate® 30 + top ten infrastructure list
Invesco Responsible Japanese Equity Value Discovery (UK)	Mitsubishi	

10.1

Overall findings

- **100% of ETFs reviewed scored 2.5 points or less (out of a total of 5 points).**
- **36% of ETFs scored 1.5 points or less in the research.**
- **0% of ETFs scored 4.5 or more.**
- **0% of ETFs scored zero points.**
- **20% of ETFs invested in companies on the Carbon Underground 200™ or were not disclosing sufficient information for us to know.**
- **30% of ETFs invested in companies on the Macroclimate® 30 / top ten oil services and infrastructure list or were not disclosing sufficient information for us to know.**
- **0% of ETFs did not disclose their holdings, i.e. all ETFs disclosed their portfolio holdings so all gained half a mark against this criteria.**

Fund	Score	Invests in companies on the Carbon Underground 200™	Invests in companies on the Macroclimate® 30 or top ten infrastructure list
UBS (Irl) ETF plc – MSCI ACWI Socially Responsible	2		
UBS (Irl) ETF plc – MSCI United Kingdom IMI Socially Responsible UCITS ETF (GBP) A-dis	2		
UBS(Lux)Fund Solutions – MSCI EMU Socially Responsible	2		
UBS(Lux)Fund Solutions – MSCI Japan Socially Responsible	2		
UBS(Lux)Fund Solutions – MSCI USA Socially Responsible	2		
UBS(Lux)Fund Solutions – MSCI World Socially Responsible	2		
UBS(Lux)Fund Solutions – MSCI Emerging Markets Socially Responsible UCITS ETF(USD)A-dis GBP	1.5		Yes
UBS(Lux)Fund Solutions – Sustainable Development Bank Bonds	1.5		
Fidelity Sustainable Research Enhanced US Equity	1	Yes	Yes
iShares Dow Jones Global Sustainability Screened	0.5	Yes	Yes

* As these funds didn't disclose their holdings, we could not be sure that they were not invested in companies on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure indices.

** Royal London did not disclose the portfolio holdings for these funds, but the general portfolio of companies Royal London Asset Management (RLAM) engaged with in 2021 features some of the biggest polluters on the Carbon Underground 200™, Macroclimate® 30 and top ten infrastructure list.

† Invests in multiple subsidiaries of a company group which owns fossil fuel reserves but does not disclose which part of the group holds these reserves.

Overall, the Exchange traded funds (ETFs) sector was the worst performing investment category in the fossil-free funds research. Each of the ten ETFs analysed scored less than half marks in the ratings.

The sector had strong portfolio transparency policies compared to other fund types, with each of the ETFs in the table disclosing all their holdings.

But the passive investment approach taken by ETFs weakened the climate credentials of these funds.

Each of the sustainable ETFs in the report tracks an external index rather than actively selecting investments. These indices may consider the carbon footprint of prospective investments relative to other companies in their sector, potentially allowing for investments in companies that are in heavily polluting sectors, provided they have lower footprints than their competitors.

For example, the methodology for the MSCI SRI indices, tracked by a number of UBS funds, states that the selection process “is designed to represent the performance of companies that have lower carbon exposure than that of the broad market and have high Environmental, Social and Governance (ESG) performance.”

But the underlying indices of ETFs analysed in the research fail to provide a clear statement to exclude producers/extractors of coal/oil/gas.

And their methodologies provide no evidence that they are focussed on investing in solutions to the climate crisis.

The research found that 20% of rated ETFs were invested in companies on both the Carbon Underground 200™ and Macroclimate®30 + top ten infrastructure/services list.





Two of these funds had over 10 holdings across the Carbon Underground 200™ and Macroclimate®30 + top ten infrastructure/services list:

- iShares Dow Jones Global Sustainability Screened UCITS ETF USD (Acc) GBP
- Fidelity Sustainable Research Enhanced US Equity

10.2

Top performers

The following ETFs ranked highest in the sector with a score of 2 points:





	UBS (Irl) ETF plc – MSCI ACWI Socially Responsible	
	UBS (Irl) ETF plc – MSCI United Kingdom IMI Socially Responsible UCITS ETF (GBP) A-dis	
	UBS(Lux)Fund Solutions – MSCI EMU Socially Responsible	
	UBS(Lux)Fund Solutions – MSCI Japan Socially Responsible	
	UBS(Lux)Fund Solutions – MSCI USA Socially Responsible	
	UBS(Lux)Fund Solutions – MSCI World Socially Responsible	

10.3

Funds to avoid

The iShares Dow Jones Global Sustainability Screened was the lowest ranking ETF in the research, with a score of 0.5 points. The fund only met the criteria for disclosing all its holdings.

The following funds scored just 1 point in the rankings:

	Fidelity Sustainable Research Enhanced US Equity	
	iShares Dow Jones Global Sustainability Screened	

Fund	Holdings on Carbon Underground 200™	Holdings on Macroclimate® 30 + top ten infrastructure list
Fidelity Sustainable Research Enhanced US Equity	Chevron, Coterra, Devon Energy, Diamondback Energy, EQT, ExxonMobil, Pioneer Natural Resources	Baker Hughes, Berkshire Hathaway, Schlumberger
iShares Dow Jones Global Sustainability Screened	Anglo American, ConocoPhillips, Galp, Hess, ITOCHU, Inpex, OMV, PTT, Mitsui, Royal Dutch Shell, SK Innovation, Suncor Energy, Tata Steel, Teck Resources, TotalEnergies, Vermilion Energy, Whiting	Duke Energy, Enbridge, Halliburton, Schlumberger

Baker Hughes

Baker Hughes

RATED FUNDS THAT INVEST IN THE COMPANY:

L&G PMC MSCI World Socially Responsible Investment (SRI) Index, Fidelity Sustainable Research Enhanced US Equity, ASI Sustainable Index World Equity Pension

Baker Hughes is a leading global oilfield services corporation, with operations in more than 120 jurisdictions.

The company provides drilling and extraction services to oil majors including Shell, BP and Chevron. It also supplies equipment and engineering expertise to help oil and gas companies launch and maintain fossil-fuel extraction facilities.

BERKSHIRE HATHAWAY INC.

Berkshire Hathaway

RATED FUND THAT INVEST IN THE COMPANY:

Fidelity Sustainable Research Enhanced US Equity

Berkshire Hathaway is a multinational conglomerate, which was responsible for 189 million tons of greenhouse gas emissions in 2018.²²

The company owns a majority stake in Berkshire Energy and is chaired by billionaire investor Warren Buffett.

Last year Buffett blocked a shareholder resolution for tougher climate change measures, saying the worst effects of global warming “will be adapted to over time.”²³

²² <https://www.bloomberg.com/features/2020-emissions-billionaires/?leadSource=uverify%20wall>

²³ <https://www.eenews.net/articles/warren-buffett-sinks-climate-measure-says-world-will-adapt/>

BP



RATED FUNDS THAT INVEST IN THE COMPANY:

AXA Framlington UK Sustainable Equity, ASI Sustainable Index World Equity Pension

BP is a British oil and gas corporation with a market capitalisation of £81.87bn. The company reported profits of \$8.45bn (£6.9bn) in Q2 2022 – its highest quarterly result for 14 years.

BP's emissions totalled 339.2 million tonnes of CO₂e in 2021.

In 2020, Greenpeace called BP a 'climate change criminal' for lobbying against climate action, announcing a \$71bn fossil fuel extraction initiative, and using advertising and branding to present itself as a green, renewable energy company.²⁴

Earlier this year, BP shareholders approved a motion to raise its emissions reductions target to 50% by 2030, from a previous target of 30-35%.

But activist investor group Reclaim Finance said that despite this ambitious goal, BP continues to invest in new oil and gas fields, and "is expected to consume more than 80% of its carbon budget as early as by 2030."

Duke Energy



RATED FUND THAT INVESTS IN THE COMPANY:

iShares Dow Jones Global Sustainability Screened

Duke Energy is a US electricity and energy holding corporation that provides electricity to 8.2 million people in America, and owns 50,000 megawatts of energy capacity.

The company generates most of its energy through burning coal, oil and gas.

Duke Energy recently announced plans to reduce its reliance on fossil fuels by pledging to shut all its coal facilities by 2035 and shifting towards cleaner energy sources, including solar and wind farms, and gas-fired power plants.

But US environmental organisation The Sierra Club said that Duke Energy had only committed to retiring 18% of the company's coal generation by 2030 and plans to build over 5,400 MW of new gas capacity by 2030 "instead of shifting its focus in a meaningful way to a much larger clean energy buildout."²⁵

²⁴ <https://www.greenpeace.org.uk/news/3-reasons-why-its-right-to-call-bp-a-climate-change-criminal/>

²⁵ https://www.sierraclub.org/sites/www.sierraclub.org/files/2022-09/sierra_club_the_dirty_truth_report_v2_2022_0.pdf?_ga=2.95840409.444629060.1666865229-2095792866.1666865229

ExxonMobil

ExxonMobil

RATED FUND THAT INVESTS IN THE COMPANY:

Fidelity Sustainable Research Enhanced US Equity

ExxonMobil is the largest US oil and gas company with a market capitalisation of \$444.73bn and annual revenues of \$285.64bn in the year to 30 June 2022.

But while ExxonMobil is the fourth largest oil major by revenues, it is far from being a market leader on climate change mitigation.

The fossil-fuel giant is facing a series of lawsuits in the US for its climate impact.

In May 2022, the Guardian reported that the Massachusetts high court had brought a case against the company over allegations that it has long hidden evidence around how burning fossil fuels contributes to global warming.²⁶

Facing escalating numbers of lawsuits for its carbon impact, including a lawsuit over allegations of climate denial, ExxonMobil recently became the latest oil major to announce a commitment to be operationally net-zero by 2050.

Disappointingly, this pledge only applies to emissions linked directly to production and extraction, and ignores the far-greater levels of gases emitted through the burning of its fuels in transportation and electricity generation.

HALLIBURTON

Halliburton

RATED FUNDS THAT INVEST IN THE COMPANY:

ASI Sustainable Index World Equity Pension, iShares Dow Jones Global Sustainability Screened

Halliburton is one the largest oilfield services companies in the world. According to Reuters, the company posted a 41% increase in profits in Q2 2022 and is expected to benefit from years of growth in demand for its drilling services.

Halliburton is also the leading provider of fracking services for oil and gas companies.

In April 2022, the company announced a \$300m deal to develop the first major offshore oil and gas facility for Shell in Nigeria.

It also works with fossil-fuel giants, including ExxonMobil, PetroChina, BP, and Chevron and has operations in more than 70 countries.

²⁶ <https://www.theguardian.com/environment/2022/may/24/exxon-trial-climate-crimes-fossil-fuels-global-heating>

²⁷ https://climateaccountability.org/carbonmajors_dataset2020.html

Shell



RATED FUND THAT INVESTS IN THE COMPANY:

L&G PMC Ethical UK Equity Index Fund 3

Shell is a UK-based multinational oil and gas company with a market capitalisation of £163.64 billion.

The company was the sixth largest corporate contributor to the climate crisis between 1965 and 2018, according to a report by the Climate Accountability Institute.²⁷

It disclosed emissions of 1,367 million tonnes of CO₂e in 2021.

Shell has been accused of attempting to greenwash its contribution to the climate crisis with a pledge to become carbon neutral by 2030, and high-profile deals to sponsor an environmental exhibition at the Science Museum and British Cycling.

But the company has undermined these efforts through its plans to expand its gas interests by more than 20% over the coming years.

In 2021 the Dutch court ordered Shell to cut the company's operational CO₂ emission by 45% against 2019 levels by 2020. But a recent report by Oil Change International found that since the ruling, Shell has approved the development of ten new oil and gas extraction investments that will generate 325m metric tonnes of additional CO₂ emissions, "two-times greater than the Netherlands' total CO₂ emissions in 2021."²⁸

Schlumberger



RATED FUNDS THAT INVEST IN THE COMPANY:

Fidelity Sustainable Research Enhanced US Equity, ASI Sustainable Index World Equity Pension, iShares Dow Jones Global Sustainability Screened

Schlumberger is largest oilfield services company in the world and operates in more than 120 jurisdictions. The company specialises in scoping and drilling for oil and gas, and has developed more than 36,000 patented extraction technologies.

According to the Guardian, Schlumberger works with every major global oil corporation and petrostates, including Libya, Russia, Saudi Arabia and Turkmenistan.²⁹

²⁸ <https://priceofoil.org/content/uploads/2022/09/Shell-Fossil-Fuel-Production-Climate-Chaos.pdf>

²⁹ <https://www.theguardian.com/environment/2015/may/18/where-there-is-oil-and-gas-there-is-schlumberger>

What is ESG?

Investment managers use the language of environmental, social, and governance (ESG) principles to appeal to clients who want to invest sustainably. But regulators are concerned that the concept of ESG is too broad and vague, and has enabled greenwashing.

Ethical Consumer researchers found that asset managers, which favoured ESG over negative screening, considered climate change alongside a range of other environmental and societal themes. This made it difficult for researchers to quantify and analyse the carbon policies of these funds.

Impact funds

Impact investing involves selecting holdings based on their positive societal or environmental contribution.

Examples of impacting investing include dedicating funds towards renewable energy, forestry, and social housing projects. The investment trusts rated by Ethical Consumer in this report take an exclusively impact-driven investment approach. But most fund managers will consider impact investing alongside other investment process such as negative screening and ESG.

To qualify for full marks in the ratings, asset managers needed to demonstrate that their funds use this approach to invest in solutions to the climate crisis.

Exclusions-focussed funds

The exclusion-focussed investment approach, sometimes referred to as Socially Responsible Investing (SRI), involves screening out investments that have a negative societal impact.

Modern SRI processes may exclude investments in companies involved in the arms trade, alcohol, tobacco, gambling, and fossil fuels. Negative screening is transparent, easy to understand, and allows consumers to objectively select investments that meet their values.

The exclusionary approach is rarely used in isolation, and most managers of sustainable funds consider negative screening alongside other investment approaches such as ESG and impact investing.

Investment trusts vs unit trusts

Unit trusts and investment trusts both pool money from investors to invest in other companies or commercial entities.

Unit trusts are the most common type of retail investment in the UK. They have an open-ended structure, in which the fund manager can issue or cancel units according to investor demand.

Investment trusts are closed ended companies that are traded on the London Stock Exchange. They have a fixed number of shares, which investors can trade on a stock exchange, like other listed companies.

About Ethical Consumer



Ethical Consumer Research Association is an independent, not-for-profit, multi-stakeholder co-operative society with open membership, founded in 1989 and based in Manchester.

Our mission is to make global businesses more sustainable through consumer pressure. For over 30 years, we have been the hub of the ethical consumer movement, helping consumers to shop ethically, campaigners to challenge corporate power and businesses to improve their supply chains. Funding to do this work comes from reader subscriptions, research work for campaign groups and ethical organisations, as well as from grants and other income.

We also publish the Ethical Consumer Magazine, the UK's leading alternative consumer magazine, 6 times a year.

Ethical Consumer are exploring the option of continuing to produce these reports annually in future years.

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Fair economy. Better world.

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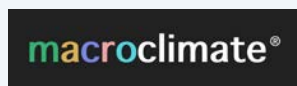
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