

LOW CARBON INVESTING

APRIL 2016

1ST EDITION



blue&green
tomorrow

PUBLISHER'S LETTER

Globally, 15,000 to 19,000 people die every day from air pollution

While we were drafting this guide its working title was 'Fossil Free Investment'. But at Blue & Green we don't believe in imposing absolutes and prefer people to make an informed choice based on all the options available.

John Fleetwood, our friend and SRI Consultant from 3D investing, suggested 'Low Carbon Investing' and we liked that instantly.

Clearly there needs to be investment options for those who want a pure portfolio with zero carbon. However, we still live in a carbon economy. Some investors want to hold a stake in Oil & Gas. They want their asset managers to be active or activist shareholders and get the Oil & Gas companies to participate in the transition to a low/no carbon economy – they and financial services have all the money and the skill required for the revolutions that's coming.

And the Oil & Gas companies need to make that shift or shi(f)t will really hit the fan for their shareholders and millions of innocent pension investors. As Carbon Tracker (www.carbontracker.org) has so eloquently pointed out repeatedly and ad nauseam – the Oil & Gas industry simply cannot burn the reserves they already have if we are to avoid runaway climate change. At some point divestment from Oil & Gas will turn into a rout and those shares will be effectively junk.

There was a fantastic and famous USA Today cartoon by Joel Pett that we won't reproduce without permission, but you can see it here: <http://www.gocomics.com/joelpett/2009/12/13/>. It makes the point of this Guide in one simple and powerful image, which proves the maxim that a picture is worth a thousand words.

Still not convinced that a low/no carbon economy is better than the one we have?

5.5 million (GBD) to seven million (WHO) people die prematurely each year from air pollution. That's 15,000 to 19,000 every day. Fossil fuels may seem cheap until you consider how many people are killed by burning them. It adversely affects the young, the old and the sick. Unless you hate the young, the old and the sick then maybe a bit of divestment would be a good move.

This guide shows you how.



Simon Leadbetter
Publisher, Blue & Green Tomorrow



A black and white photograph of a man with glasses and a beard, wearing a plaid shirt, sitting in a chair and reading a book. The room is dimly lit, with light coming from a window on the left, creating a warm, intimate atmosphere. The man is looking down at the book, and his expression is focused.

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3D INVESTING FOSSIL FUEL REPORT

JANUARY 2016

By JOHN
FLEETWOOD

The Paris Climate Conference was widely regarded as a turning point in the battle against climate change and it certainly raises serious question marks over the long-term investment case for fossil fuels.

Yet most portfolios, including those run according to SRI mandates, retain some sort of exposure to fossil fuels. In this report, we examine the evidence and look at how different socially responsible funds are managing their fossil fuel exposure, so that investors can make an informed judgement on this increasingly critical issue.

Why this is an issue

Expert synopsis

The 3D Universe and the Market Context

We have assessed all socially responsible funds registered for sale in the UK. These number 145 and include ethically screened, thematic environmental, social and environmental infrastructure funds. These exhibit a wide range of strategies on the issue of fossil fuels from total exclusion and investment in clean energy to substantive investment in coal. This not surprising given the different fund objectives. Thematic funds usually (but not always) avoid fossil fuels by default. For example, a solar fund avoids investment in fossil fuels and invests in solar plant by definition. ‘Sustainable’ or ‘responsible’ funds often permit the holding of fossil fuel stocks but look at how the company operates relative to other companies in the sector. Ethically screened funds may or may not allow investment in fossil fuels depending on the criteria employed and it is perhaps surprising how many do not even screen out coal. Others take a more nuanced view, excluding oil and coal, whilst investing in gas as a transition fuel to a low carbon future. Some exposure is minor

such as investment in companies which have a minority of revenues in fossil fuel production but derive the overwhelming proportion of sales from renewables.

It is also worth mentioning that most funds have few investments in resources due to the very poor investment climate for such companies in recent years. Simply put, they have made bad investments as the oil price has plummeted and funds’ exposure reflects this reality.

It is also worth remembering that fossil fuels are not the only issue in town. Choosing a fund simply on the basis of exposure to fossil fuels is a weak strategy since there are many more financial and non-financial factors to consider. The overall 3D Star Rating reflects these other considerations and gives a much more rounded view.

3D Fossil Fuel Classification and Methodology

We have looked at every holding in all of the funds and have identified direct and indirect exposure to fossil fuels including:

- Oil exploration and development
- Natural gas exploration and development
- Coal mining
- Coal fired power stations
- Gas distribution
- Oil & gas services, eg. Pipelines, oil rigs, drilling equipment
- Air transport
- High carbon industries, eg. Cement production, conventional car manufacturers

Funds are then classified as follows:

Fossilised – an old fossil, wedded to the past

Potential fossil – Exposure is limited or minimal but a lack of policy and investments held by

other funds managed by the group or in the past indicate that investment may be made in fossil fuels in the future

Low Carbon – Carbon footprint of the portfolio is low in comparison with the investment industry as a whole but may include natural gas

Almost Free – exposure to fossil fuels is minimal

Fossil fuel free – No fossils here!

It should be noted that fossil fuel free is not necessarily better than low carbon, depending on your point of view. For example, a low carbon fund may permit limited investment in natural gas, but also invest in carbon positive companies such as wind power producers; whilst a fossil fuel free fund may simply be a property company that has no direct exposure to fossil fuels. To reflect this and to facilitate easy comparison of the funds, we have therefore allocated a star rating to the funds on the following basis:

1 Star – No substantive policy on excluding fossil fuels and has invested in oil production or coal power

2 Star – Policy of limited exposure to fossil fuels including oil, or little exposure but no policy on fossil fuels giving potential for investment in the future

3 Star – Direct fossil fuel exposure is limited to gas, or else there are compensating investments in renewable energy

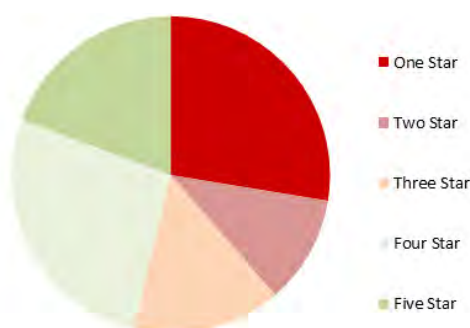
4 Star – Very limited or no exposure to fossil fuels

5 Star – Very limited or no exposure to fossil fuels with the majority of the portfolio having net positive carbon benefits

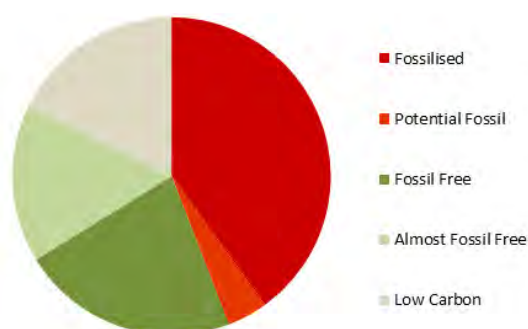
Summary Results & Conclusions

Out of the 145 socially responsible and sustainable funds surveyed, almost half have little

exposure to fossil fuels and the majority avoid oil and coal.



However, it is somewhat depressing to see that over one third of 'socially responsible' or 'sustainable' funds continue to invest in dinosaurs at risk of extinction.



More positively, almost as many have very little, if any, exposure to fossil fuels, providing options for those wishing to avoid investment in fossil fuels. These include a growing number of opportunities to invest in carbon positive clean energy investments. It is also encouraging to see pioneers like WHEB and Alliance Trust report on their carbon footprint, giving real visibility to the overall carbon impact of their portfolios. It is to be hoped that more fund managers will follow their lead. This issue isn't going away! 🌱

3D INVESTING?

3D Investing is a distinctive investment approach that seeks to maximise social impact, to minimise ethical compromise and to deliver on financial expectations. It is an evidence based approach that analyses the constituent holdings of each and every investment, so that investors can be confident that their

money is being used in a way that really does make a social difference whilst meeting their financial needs. The evidence-based approach means that, not only can investors be assured of successful financial outcomes, but they can be equally confident in maximising the social impact of their portfolio.

Too many ethical portfolios invest in companies that investors would find unacceptable if only they knew, and the social impact is often tokenistic. 3D investing involves a fully transparent process, making any compromises clear and seeking to maximise social impact and to inspire investors.



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ISA COULD FUEL THE ENERGY OF THE FUTURE

New data shows that the Innovative Finance ISA, launching in April 2016, has the potential to boost the low carbon economy with regular saver's cash.

The independently collated Great British Money Survey 4 asked the British public a series of questions about their money – what they want it to do and fund, where they want to invest it, and what's important to them about it.

The results show that there are a lot more people than one might think who want to invest sustainably. When asked to choose any number of sectors to invest their money in 23% of people selected renewable energy. This made it the second most popular choice, with property taking top spot, and more than twice as popular as the fossil fuel sector – which appealed to just 11%.

This reflects a wider trend towards people wanting their money to be doing things that they deem useful or 'ethical' (although not everybody likes that word) – but the return on offer must be fair, too. More than two thirds of Britons (67%) agreed with the statement *"I want to invest in things that give both a decent return and don't harm our future."* The problem is that it is not always easy to find such investments. Until recently, the only real options were green funds, where the investor cannot control what investments go into the fund, or community share offers, which may have high investment minimums and only be available to locals.

The growth of peer-to-peer lending and now the launch of the Innovative Finance ISA provide an almost perfect solution to this. Peer-to-peer lending has grown in popularity in Britain in

recent years partly because of the rates on offer, which are higher than those provided by banks and at lower risk than the stock market. Besides rate, many people feel peer-to-peer is more transparent than traditional investing and there are often lower minimums. On many platforms one can lend to any number of individual companies, projects, or even people. With this level of detail it's often more clear where that money is going and how it's going to come back to the investor than it might be with traditional shares, for example. This, we have found, is part of the appeal with Abundance. Investors choose which renewable energy projects they would like to invest in from just £5 and know that their money is doing something good for the environment and society while earning them a return.

The IF ISA will enable people to do just that while holding their investments in an ISA wrapper and thus enjoying the returns tax-free. The Abundance ISA will be the first IF ISA on the market come 6 April 2016 and it is thought that a significant proportion of the 78% of British adults who would consider buying an ISA made up of 100% green and ethical investments will dip a toe in the water of sustainable investing for the first time. We could be on the cusp of a revolution in low-carbon investing.

Risk warning

If you invest with Abundance part or all of your original capital may be at risk and any return on your loan or investment depends on the success of the project. Investments tend to be long term and may not be readily realisable. Estimated rates of return are variable and estimates are no guarantee of actual return. Consider all risks before investing. 🌱

By MATT REEVES

CAPITAL AT RISK. INVESTMENTS ARE LONG TERM AND MAY NOT BE READILY REALISABLE. ABUNDANCE IS AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY (525432).

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FOSSIL FUELS, DIVESTMENT, NATURAL GAS AS A TRANSITION FUEL AND OUR EXPOSURE

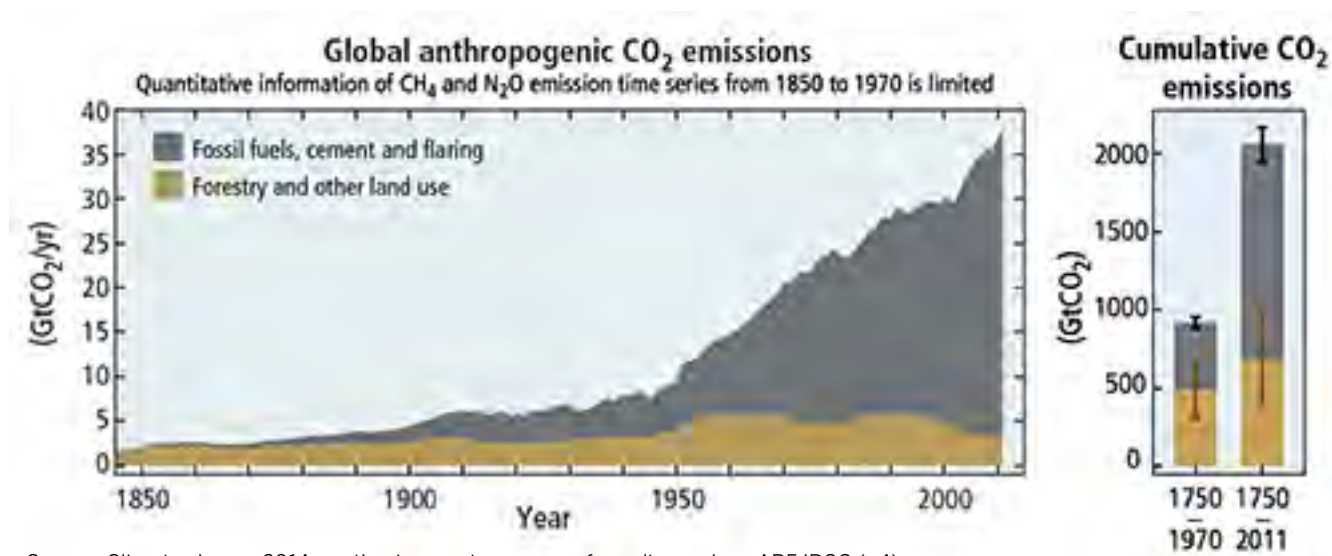
We outline some background on the emissions profiles of different fossil fuels, the divestment movement as well as the Sustainable Future funds' approach, position and very low exposure to fossil fuels.

Fossil fuels

Burning fossil fuels currently provides the majority of global energy used for generating electricity, transport, industrial processes and

in buildings. This burning of fossil fuels is also the largest source of green house gas emissions, which is changing our climate and leading to a higher average global surface temperature. To maintain our climate within a state where we can continue to live and provide an adequate quality of life, we need to limit the rise in global average temperatures to 2 degrees centigrade or less. Reducing green house gas emissions to stay below the 2 degree rise is challenging and will require a profound change in what energy sources we consume, as well as how we manage land and water.

By MIKE
APPLEBY



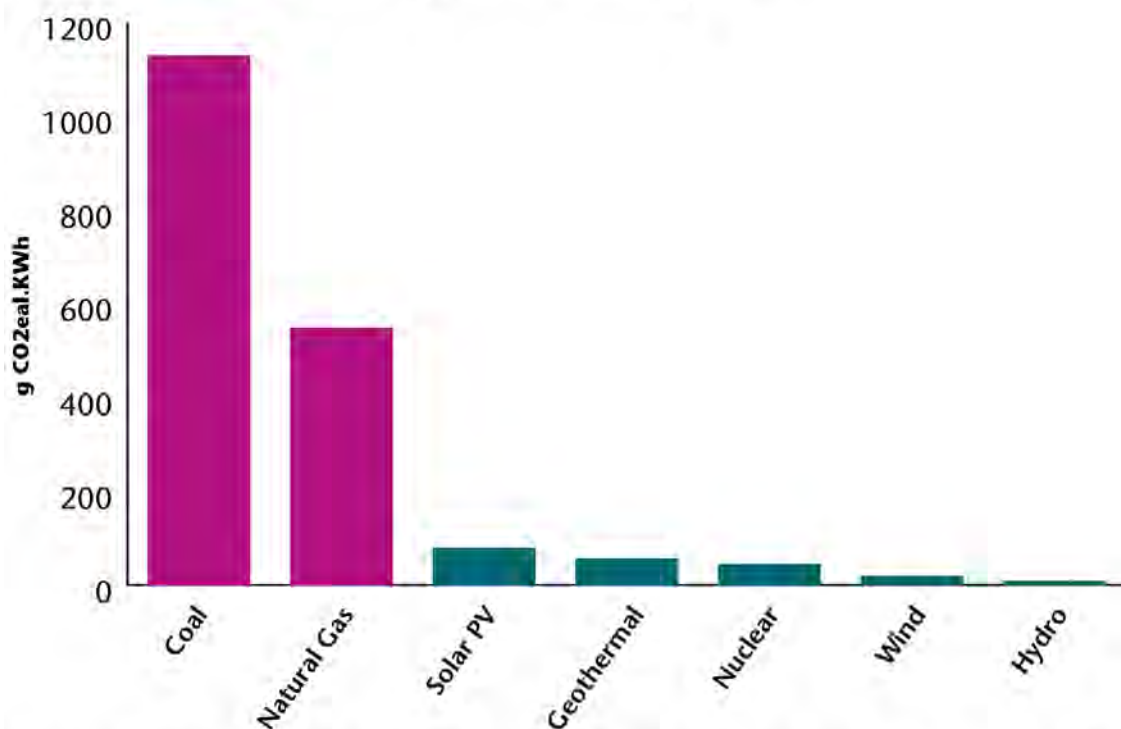
One of the biggest shifts we expect to happen, resulting from efforts to reduce global emissions, is the substitution away from carbon intensive fossil fuels, in particular, coal for electricity generation, to lower carbon energy sources including renewables: such as, wind and solar. We also anticipate there will be interesting investment opportunities in energy efficiency and increased demand for products or services helping to reduce the amount of energy that is wasted. We believe

this is important as it will influence the value of companies and understanding this shift will be important in making decisions about which companies to invest in.

Differences between the fossil fuels

The three fossil fuels are: coal, oil and natural gas; and they have very different emissions profiles and carbon intensities (the amount of

Carbon intensity for generation types



Source: Moomaw, W., P. Burgherr, G. Heath, M. Lenzen, J. Nyboer, A. Verbruggen, IPCC 2011¹

carbon emitted when burnt for every unit of energy), as shown in the figure on the next page. Carbon intensity for generation types
The main conclusion is that, when burnt, coal emits nearly twice the amount of carbon as compared to burning natural gas and there are virtually no emissions from renewables. Oil is mainly used as a transport fuel, and the amount of oil burnt to generate electricity is not as meaningful; so oil is not included in the table.

Coal: this looks the least attractive of the fossil fuels for many reasons; not least as it emits the most Carbon Dioxide per unit of energy of all the fossil fuels. Other reasons include the negative impact of burning coal on the local environment

due to non-green house gas emissions; such as particulate matter, as well as toxic gases such as Sulphur Dioxide and Nitrogen Dioxide, all of which are associated with significant negative local health impacts. Furthermore, coal extraction, transport and combustion consumes large amounts of water. And water stress, compounded by changes in weather, mean coal will potentially exacerbate the competition for this finite and vital resource. The only positive, for countries that have abundant supplies of coal, is: coal is cheap – when you exclude these negative externalities. Our ability to limit climate change is largely predicated on our ability to move away from coal to lower carbon sources of energy. We believe regulation will continue to

discourage the building of coal fired electricity generation and consequently think the outlook for investments in this area is severely challenged.

Oil: is mainly used for transport (petrol, diesel and jet fuel) as well as petrochemicals which are essentially used to make plastics. As oil reserves have become harder to find (the easiest oil assets to extract have already been discovered) there has been a shift into new types of oil, known as unconventional: these includes tar sands, ultra-deep water – in some cases in the Arctic – as well as shale oil which is extracted by fracturing the rock. All of these unconventional have significantly higher externalities (for example higher carbon emissions and water intensity) associated with them than conventional oil and we think the economics of most unconventional projects are overstated. For example, tar sands use huge amounts of energy to get the oil out and requires very high oil prices to make a decent investment return (in the region of \$80-90 a barrel of oil). We think most of these unconventional oil types will make poor investments in a volatile oil price environment as they require high oil prices to make an attractive investment return. In addition, the potential future costs to these projects for paying for the negative externalities are underestimated (such as carbon taxes for emissions and rising costs for the treatment and conservation of water) and will potentially make the project economics worse.

Natural gas: exhibits some meaningfully different characteristics to coal and oil. The main one being how little carbon dioxide it emits for every unit of power generated when it is burnt as compared to its fossil fuel peers. For this reason we think natural gas powered electricity generation looks like a promising transition fuel and can be used to manage the intermittency of the increasing renewables component on the grid. We think substituting coal for natural gas

powered electricity generation could essentially halve emissions from electricity generation – a very meaningful amount. Natural gas, when used in modified engines, is also a good substitute for diesel as it has a much more benign emissions profile. It is worth noting, just as the easy oil has been found and so now is forced into unconventional, higher cost oil types; so has natural gas and the two biggest unconventional sources of natural gas are shale gas (requires fracturing the rock aka fracking) and coal bed methane which essentially extracts natural gas from coal in the ground. There are very meaningful differences in environmental impact between extracting conventional natural gas and extracting these unconventional natural gas forms. The unconventional (shale gas and coal bed methane) have more negative environmental impacts which require considerable extra management (and cost) to mitigate.

There are significant uncertainties on the full life cycle impact (overall process of extracting and burning natural gas) for shale gas derived from fracking, particularly in terms of emissions. This is down to so called ‘fugitive emissions’ which is natural gas leaking into the atmosphere during the fracking process. This can have a very negative impact on the carbon intensity of extracting and burning shale gas (as natural gas or methane has 21x the green house warming potential of Carbon Dioxide) and potentially skew and undermine the relative carbon merits of unconventional natural gas when used for power generation. We have taken a precautionary view on shale-gas and in January 2014 we took the decision to avoid investing in companies exposed to it. We concluded: uncertainties around the ability of companies to effectively manage and minimise the potentially adverse effects of shale gas exploration and production on the local environment, as well as continued uncertainty about the fugitive emissions from fracking – and



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its effect on the amount of Green House Gases emitted by the process - are sufficient grounds to avoid exposure to shale gas exploration. As a result we now exclude companies with significant¹ involvement in shale gas exploration from the Alliance Trust Sustainable Future funds. We believe these uncertainties have the potential to have a materially negative impact on the economics and viability of shale gas projects as investments. Read more on this in our article:

[Sustainable future funds take a more precautionary approach on shale gas.](#)

Divestment movement

The 'Fossil Free' movement calls for asset owners to end support for the fossil fuel industry by freezing new investment in fossil fuels (starting with coal and tar sands) and within five years to sell any positions in public equities or corporate bonds. The investment rationale for this are very well articulated in the analysis by Carbon Tracker which concludes that if we are to

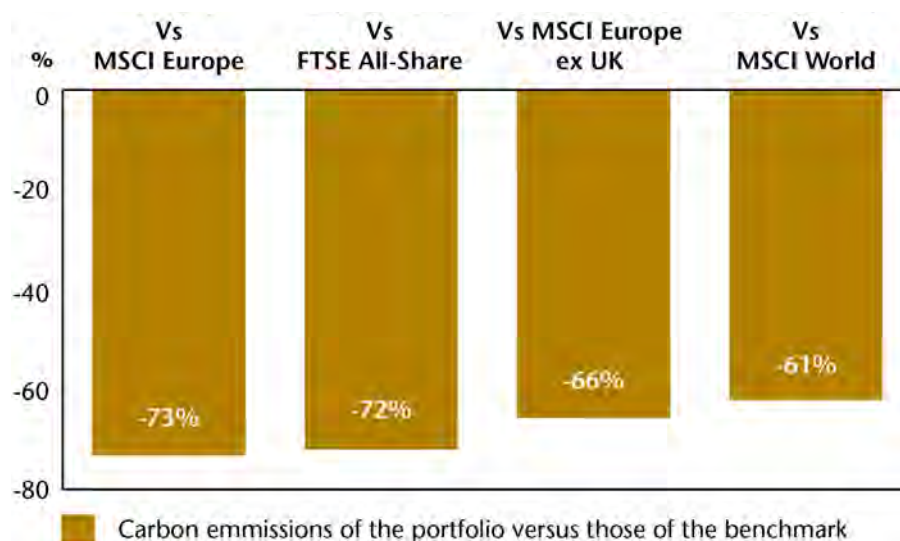
stay below 2C of warming, 80% of known fossil fuel reserves need to stay in the ground¹.

Our approach to fossil fuels and exposure to carbon

At Alliance Trust Investments (ATI) we believe there is more that can be done – over and above divestment. And in our Sustainable Future funds we have a three-pronged approach:

1. Avoid investment in coal, oil, tar sands and unconventional natural gas
2. Aim for a low exposure to carbon risk throughout the portfolio
3. Invest in companies helping to accelerate the decarbonisation of our economies

Recent analysis of our portfolios by MSCI ESG shows the benefits of the Sustainable Future funds' approach. For every £1 invested in our funds there are between 60% and 75% less associated carbon emissions than for £1 invested in the benchmark portfolio².



Source: MSCI ESG Research, as at 12 August 2015

The research also highlights that between 21% and 34% of each fund is invested in companies offering clean technology solutions under the MSCI ESG methodology. According to the research provider, companies with clean technology solutions generate revenues from one of the following themes: energy efficiency (Kingspan, Schneider Electric), sustainable water, alternative energy (Gamesa, Sunpower, Enel, and Infinis), pollution prevention (Suez, Johnson Matthey, and Pennon) and green building (Crest Nicholson, Berkeley Group).

Meanwhile the funds' direct exposure to fossil fuels ranges from zero to 2.5%. (The only exposure is in a conventional natural gas producer whose product substitutes for coal production – see description of Oil Search below). In addition, these funds do not invest in many industries in the fossil supply chain where carbon risks are high. For example the funds exclude car manufacturers (except for companies making components to increase fuel efficiency or safety) and exclude airlines.

If you believe, that our economies need to wean themselves off fossil fuels, then you should want your investments to mitigate the risk of exposure to fossil fuel reserves that will never be burnt, and also to maximise your exposure to companies benefiting from the move to a lower carbon future. We select investments for the Sustainable Future funds with this at the core of our thinking. The results from MSCI clearly demonstrate that the Sustainable Future funds achieve both aims.

It is also worth noting that the Sustainable Future funds have delivered strong investment returns while offering significantly less exposure to carbon risk than the benchmark (you can see our

latest performance in the Fund Centre).

The Sustainable Future funds have delivered very strong investment performance with seven out of eight (over 87%) of these funds are either 1st or 2nd quartile versus their conventional mainstream peers over the three year and five year period to the end of December 2015*.

Finally in providing capital to companies that are leaders in their respective sectors in terms of sustainability and providing climate change solutions, we are promoting a credible pathway to a lower carbon economy – one of the key themes of the climate negotiations in Paris in Dec-2015 (Conference of Parties 21).

[Read more about this in our article: So you want your investments to be fossil fuel free?](#)

Our position on, and exposure to, fossil fuels in the Sustainable Future funds

The Sustainable Future and UK Ethical fund's position on fossil fuels is to avoid any investment that is in coal, oil, tar sands and unconventional natural gas.

Our position is on page five of our [Position on sustainability and ethical issues document](#).

The result of this stance is there are no oil and gas companies in the UK Ethical, UK Growth, European Growth and Corporate Bond funds. We hold one conventional natural gas company in the Global portfolios which represents less than 2.5% of the Global fund's exposure through our holding in Oil Search. The Managed, Cautious and defensive multi asset funds will have approximately less than 1% exposure to Oil & Gas through our holding in this company.

Quartile Rankings to 31/12/2015	Peer Groups	1 Year	3 Years	5 Years
Sustainable Future UK Growth	IA UK All Cos	1	1	2
UK Ethical	IA UK All Cos	1	1	1
Luxcellence - Alliance Trust Sustainable Future Pan-European	Pan European Equity Funds	1	1	1
Sustainable Future Cautious Managed	IA Mixed 40% - 85% Equities	1	-	-
Sustainable Future Defensive Managed	IA Mixed 20% - 60% Equities	1	-	-
Sustainable Future Managed	IA Mixed 40% - 85% Equities	1	1	1
Sustainable Future Global Growth	IA Global	2	2	1
Sustainable Future Absolute Growth	IA Flexible	1	1	1
Sustainable Future Corporate Bond	IA £ Corporate Bond	2	2	2
Sustainable Future European ex UK	IA Europe ex UK	2	3	3

Past performance is not a guide to future performance

*Source Financial Express, as at 31/01/16

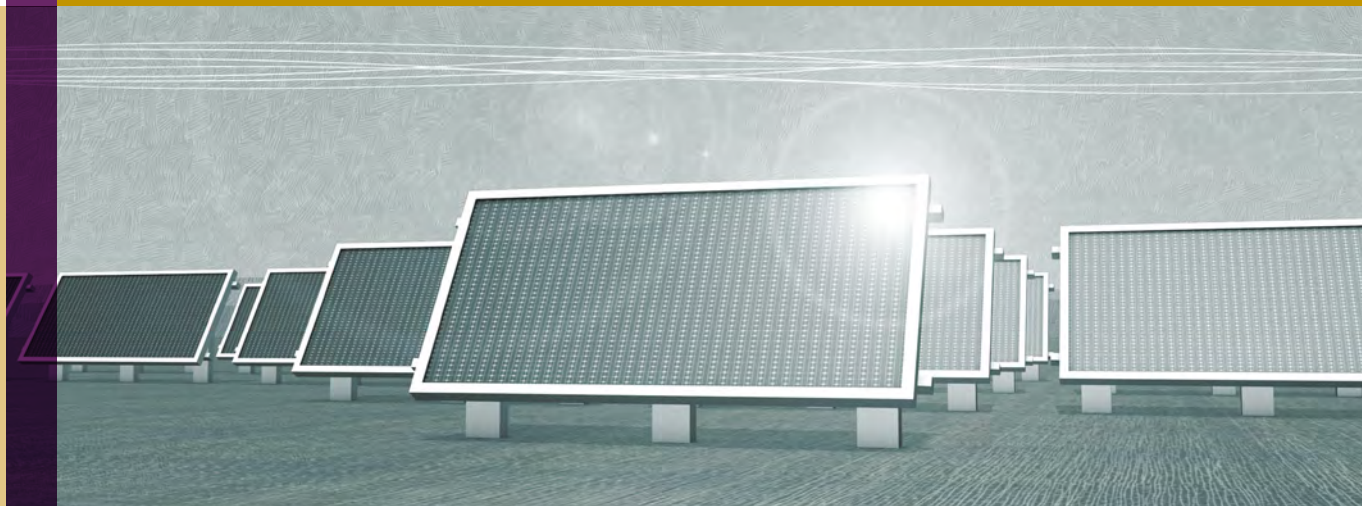
The Sustainable Future funds exposure to fossil fuels

Oil Search (held in the Sustainable Future global funds) is involved in producing conventional natural gas in Papua New Guinea (so is not

involved in: fracking, coal bed methane or tar sands). We like conventional natural gas as it can displace more carbon intensive and polluting coal which is the worst fossil fuel in terms of environmental impacts. We have engaged with Oil Search and have discussed the company's

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Risk statement

The value of investments and any income from them can go down as well as up. You may not get back the full amount they invested.

Before you choose a fund, make sure you understand its aims and risks. You should ensure you have read the Key Investor Information Document (KIID) beforehand. If you are unsure about an investment, please speak to your financial adviser.

Funds which undertake ethical screening to meet their investment aims are unable to invest in certain sectors and companies. Our exclusion of some areas of the market (on ESG grounds) may result in periods of under-performance with respect to relevant benchmarks. For instance if tobacco stocks were enjoying extremely strong returns we would not be able to participate in their gains.

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The Sustainable Future funds' exposure to fossil fuels

Alliance Trust Investments (ATI) Fund	% exposure of fund to companies extracting and producing:			
	Coal	Oil	Natural gas: unconventional (shale gas, coal bed methane)	Natural gas: conventional
ATI UK Ethical Fund	0%	0%	0%	0%
ATI Sustainable Future UK Growth Fund	0%	0%	0%	0%
ATI Sustainable Future European Growth Fund	0%	0%	0%	0%
ATI Sustainable Future Global Growth Fund	0%	0%	0%	2.4%
ATI Sustainable Future Absolute Growth Fund	0%	0%	0%	1.9%
ATI Sustainable Future Corporate Bond Fund	0%	0%	0%	0%
ATI Sustainable Future Managed Fund	0%	0%	0%	Less than 1%
ATI Sustainable Future Cautious Fund	0%	0%	0%	Less than 1%
ATI Sustainable Future Defensive Fund	0%	0%	0%	Less than 1%

Source: Alliance Trust Investments, as at 31 Dec 2015

operational record with Global Witness as well as meeting with the President of Papua New Guinea to raise concerns over the equitable sharing of royalty payments with the local population. Our position on fossil fuels has been in place since the funds were launched in 2001. None of the major oil and gas companies (BP, Shell, Total, Exxon, Chevron, Gazprom, Petrochina, CNOOC et al) pass our stringent screening criteria. In fact, almost all the oil and gas sector is ineligible for investment in the Sustainable Future funds. Currently there are only three oil and gas companies out of 168 listed companies in this sector globally that are potentially eligible for investment given our very stringent investment criteria. To put this in context, we avoid more than 98% of companies (by number) in the oil and gas sector.

We also exclude companies significantly involved in coal mining. For power utility companies (companies generating and selling electrical

power), we will not invest in companies deriving more than 40% of their total sales from power derived from their own coal fired power stations. Furthermore, we will only invest in power generation companies that have a clear strategy to commit their power generation investments to add lower carbon and renewable energy. While on the subject of fuels, we don't like nuclear power, as we believe it requires much higher subsidies to be profitable than widely thought, and avoid companies with significant sales derived from selling power derived from nuclear generation, unless they are investing heavily into renewables.

We prefer to invest in companies that provide products or services that we need, rather than those we expect to have regulations or customer preference against their use. In the context of resources we see interesting investment opportunities in companies that either generate clean renewable power or make products to improve energy efficiency which cuts down

on wasted energy and unnecessary emissions. Included are links to a number of articles we wrote on climate change and energy efficiency, including building insulation, engine efficiency, and efficient lighting:

- [Rising to the challenge of climate change](#)
- [Vehicle efficiency in cars: An investment theme](#)
- [LED poised to become clear winner in race for better lighting](#)

Year on year performance

Discreet Annual Performance	31/12/2014 to 31/12/2015	31/12/2013 to 31/12/2014	31/12/2012 to 31/12/2013	31/12/2011 to 31/12/2012	31/12/2010 to 31/12/2011
Sustainable Future Absolute Growth	4.57	5.20	22.46	13.54	-12.61
Sustainable Future Cautious Managed	4.87	n/a	n/a	n/a	n/a
Sustainable Future Corporate Bond	0.11	9.34	1.35	15.24	3.88
Sustainable Future Defensive Managed	3.72	n/a	n/a	n/a	n/a
Sustainable Future European Growth	11.34	-3.35	25.05	19.96	-16.05
Sustainable Future Global Growth	5.58	6.90	23.83	11.85	-5.01
Sustainable Future Managed	5.11	5.21	21.34	12.42	-5.56
Sustainable Future UK Growth	8.87	1.11	33.53	14.06	-6.95
UK Ethical	9.58	1.13	34.37	15.13	-7.44

Net returns as at 31 December 2015. Source: Financial Express

Past performance is not a guide to future performance.

Risk information

Past performance is not a guide to future performance. Examples of stocks are provided for general information only to demonstrate our investment philosophy.

It is not a recommendation to buy or sell and the view of the Investment Manager may change.

The value of investments and any income from them can fall as well as rise. Capital is at risk and investors may not get back the amount originally invested. Funds which undertake ethical screening to meet their investment aims are unable to invest in certain sectors and companies.

If you are unsure about an investment decision, please speak to your financial adviser. 🌱



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CLIMATE CHANGE: FROM RISK TO OPPORTUNITY

By SEB BELOE

Having your office occupied by activist students was one of the more colourful reasons that drew delegates to a recent forum organised by the Divest/Invest movement on fossil fuels. For many of the institutions represented at the meeting, the moral imperative to address climate change was paramount in their attending the meeting.

For others though, the key concern wasn't obstreperous students but the cold hard logic of the market, and a concern that fossil fuel related business models are increasingly challenged by efforts to decarbonise the economy.

The Carbon Underground 200

In both cases, the starting point for divestment has often been [‘The Carbon Underground 200™’](#). This is a list of the top 100 coal and the top 100 oil and gas publicly-traded fossil fuel reserve holders globally.

This approach is relatively straightforward and easy to implement. But it is very far from being an adequate response to the challenge of decarbonising a portfolio. There are after all many large companies in these sectors that fall beneath this threshold. Moreover, there are many other sectors that are inextricably linked with the production or use of fossil fuels that fall outside this list.

Carbon auditing

A more nuanced approach, developed by asset managers and embraced by asset owners through initiatives such as the [Montreal Pledge](#), is the use of portfolio carbon audits.

Primarily used in listed equities, carbon audits assess the amount of carbon generated by an investment fund based on its investments in the underlying businesses. WHEB completed a carbon audit on the FP WHEB Sustainability Fund in 2015 which showed that £1m invested in the fund was linked to approximately 91 tonnes of annual CO₂e emissions. This compared with 282 tonnes of CO₂e per £1million invested in the fund's benchmark the MSCI World Index. An investment in the WHEB fund therefore had a carbon ‘footprint’ that is [70% less](#) than an equivalent investment in the benchmark.

This is clearly another useful way for investors to understand and measure their exposure to carbon emissions, but it too is an incomplete approach. Most carbon audits only look at emissions from the company's operations and not at emissions from the use of the product or service. For example, carbon emissions from car companies are included if they come from the manufacture of the cars, but not from the car's use (usually an order of magnitude higher). Solar panel manufacturers, in contrast, are penalised because carbon emissions from the manufacturing process are included, but the benefit of not producing any carbon emissions in the use of a solar panel is not.

The problem with numbers

Unfortunately, in both of these approaches, the desire for simplicity in the form of a neat number ends up obscuring critical information. The audit approach omits carbon emissions from the whole life cycle of a product and simplistic screens end up missing parts of the economy that are inextricably linked to fossil fuels. For example, State Street recently launched a

‘fossil free’ fund (the [SPDR S&P 500 Fossil Fuel Free ETF](#)) that includes Philips66, Tesoro, Valero, Dominion, Entergy, Ameren, Marathon Petroleum, Halliburton and Duke Energy among 44 companies directly involved in fossil fuel production or use.

Focusing on climate solutions

We believe investors who want to avoid climate risks, and want to benefit from structural change as the economy shifts to a low carbon footing, are better served by focusing on the shape and scale of the opportunities available in climate solutions.

The climate solutions market includes areas such as cleaner energy, energy and resource efficiency, water management, sustainable transport as well as pollution control and is already broader and deeper than most investors appreciate. [HSBC’s climate index](#) for example is composed of over

300 companies with a total market capitalisation of US\$825bn . What is more, in a world where growth is expected to be scarce, companies providing climate solutions are one part of the economy which is growing. WHEB’s investment universe of over 1000 companies that fit these themes has delivered a five year historical sales growth figure of nearly 10% per annum while the MSCI World Index has managed less than 6%. Looking at one year forecast sales growth, the gap is even wider at over 10% for the WHEB universe and less than 5% in the MSCI World .

[Daniel Kahneman](#), a psychologist, won a Nobel prize for discovering that ‘*in human decision-making, losses loom larger than gains*’. While this might explain why most investors have so far focused on the risks associated with climate change, this is just one half of the story. Investors would be well-advised to look hard at the opportunities as well. 🌱

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POST-PARIS: INVESTING IN A GREENER TOMORROW

Following the COP21 conference on climate change, the United Nations' policies in the Paris Agreement will have important repercussions for investments in fossil fuel-based sectors. Michael Wilkins, Managing Director of Infrastructure Finance Ratings at Standard & Poor's (S&P), stresses that new impetus from the Paris agreement will help the financing of more clean energy as investors divest from fossil fuels.

The Paris Agreement on climate change, approved at the United Nations' COP21 summit last December, marks a milestone in the fight against global warming. Committing governments to keep global temperature rises below the critical 2 degree threshold, the agreement has set targets to significantly reduce global greenhouse-gas emissions.

Key to following through on these pledges is monetising the reduction of emissions, meaning investors will increasingly find disincentives for engaging with fossil fuel-based sectors. Meanwhile, considerable incentives for financing cleaner energy are necessary to usher in a complete global transition.

Here, other international initiatives – such as the UN's Principles for Responsible Investment Initiative (UNPRI) and the Climate Bonds Initiative's Green Infrastructure Investment Coalition – will be essential to help unlock the private-sector capital needed to address the public spending deficit.

Divesting from fossil fuels

While the transition to cleaner, greener energy sources will not be immediate, the Paris

Agreement is certainly a step in the right direction. But meeting the Agreement's long-term emissions-reduction targets – to ensure emissions peak as soon as possible, and of carbon-neutrality by the middle of the century – will depend on creating the right incentives.

Monetising the reduction of emissions is key. Establishing a clear carbon price by emissions trading mechanisms (already implemented in the EU) or carbon taxes could see increased divestment from fossil fuel-based energy projects. Development of such mechanisms could push the carbon price up – leading to increased fossil fuel commodity prices, and harsher costs of complying with new regulation for certain industries.

Of course, the highly carbon-intensive oil and coal-based sectors would bear the financial brunt, along with related commodities and utilities. Coal-fired power plants in particular are most vulnerable to becoming 'stranded' (an asset that no longer has economic value). In fact, if governments are able to honour the carbon reduction pledges set by COP21, \$33.1 trillion of global coal, oil and gas revenues would be at risk of becoming stranded by 2040, according to the International Energy Agency (IEA).

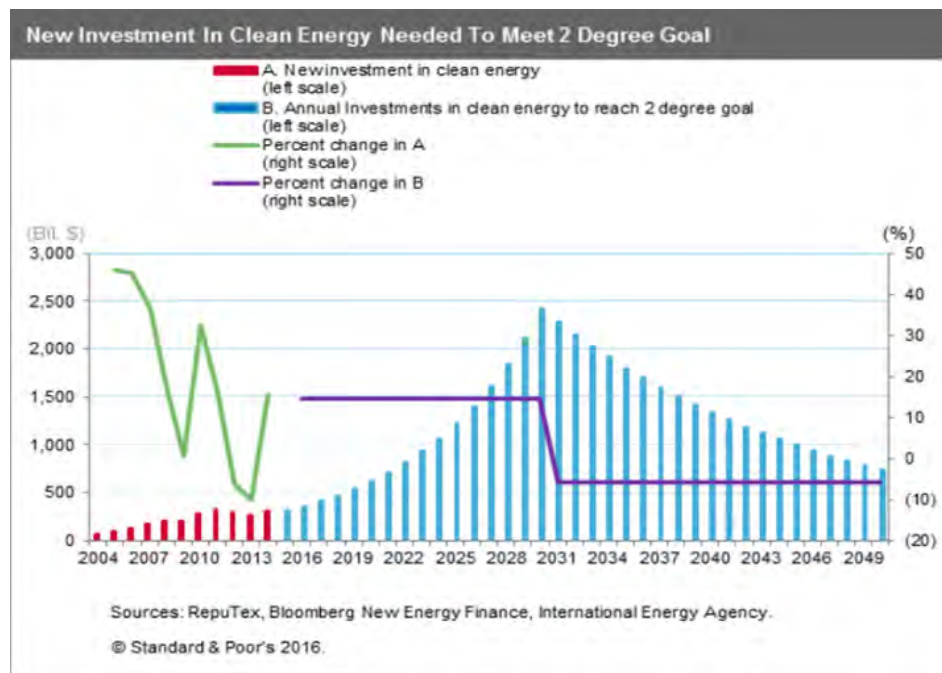
And momentum is really increasing. 25 institutional investors in the 'Portfolio Decarbonization Coalition' have already committed to decarbonising \$600 billion of their portfolios. In addition, the Bank of England has stressed the need to factor climate risk in financial planning, which signals a shift in approach. In response, S&P is increasingly reflecting environmental and climate-related risk in its credit analysis.

By MICHAEL
WILKINS

Finance going green

But if countries are to fulfil their pledges, investment in environment-friendly projects will need a boost – around \$16.5 trillion globally over

the next 15 years, according to the IEA. As the chart clearly shows, annual investment in clean energy must be ramped up significantly if the 2 degree benchmark of a global temperature rise is to be achieved.



The Paris Agreement certainly offers investment potential. For example, Dubai has committed to sourcing 75% of its power from solar energy by 2050, India and France aim to provide \$1 trillion of solar investment by 2030, and Chinese and Indian COP21 targets alone require global wind and solar capacity to double within 15 years. Such opportunities will create significant demand for capital.

The private sector can help to meet this financing demand as institutional investors look to stock their portfolios with new assets in clean energy production. Particularly, developing low-carbon infrastructure will rely on scaling up the green

bond market from the current global issuance of \$40 billion to nearer \$1 trillion per year.

Various initiatives can help here. The UN-supported Principles for Responsible Investment Initiative promotes awareness of sustainability in the private sector. Meanwhile, the Climate Bonds Initiative's Green Infrastructure Investment Coalition stands to help investors understand the financing of low carbon, energy-efficient infrastructure.

The global energy transition has begun: with the right incentives and support, investors could help to unlock the potential of the Paris Agreement. 🌱

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"I DON'T KNOW WHAT I WANT. WHAT CAN I HAVE?"

By RUSS
BUBLEY

Talking with people about what they want from a socially responsible investment can be hard. But let me take a step back.

I spend a lot of my working time talking to charities and social enterprises about impact: when I speak to charities and social enterprises that want investment money, they can enthusiastically tell me what they want the money for and why it will generate social or environmental good. When I speak to charitable trusts and foundations making social impact investments, they can be equally passionate about how their money is directly contributing to their mission. These are fascinating, passionate people, with in depth knowledge about their specialist area. And then we get to talking about their mainstream investments – maybe with an organisation's reserves or endowment, or even with their pension fund, and the talk turns to socially responsible investing.

People usually get a bit fuzzy here. I've come to recognise a kind of nervous laugh that means that they know it's important, but somehow, they have never managed to bring themselves to think about the details. Gently, gently, I try to tease out bits of information: do they want to continue to do good with their mainstream investments? That's often an easy "Yes!" But how strong is this desire: would they be willing to take on more risk, or consider lower investment returns if that was what was required? (You won't necessarily end up with a lower investment return, but classic portfolio theory does say that if you reduce your investment universe, your risk/return ratio gets worse.)

It's also important to understand the drivers here. Are they really making choices reflecting their own ethical viewpoint, or are they more

concerned about potential negative press, or concern from other stakeholders.

Good. We can move on from philosophical to practical details. Do they just want to exclude companies that do things they don't like? Or only buy investments from companies that do things they do like (positive screening)?

Finally, you can start to get into the nitty-gritty of which issues matter (most) to people: fossil fuels, arms, tobacco, alcohol, gambling, labour rights, etc.

There are particular complication with regards to fossil fuels: again, what precisely is meant by companies involved in fossil fuels: ones that look for them, own them, transport them, burn them, or trade them? And then there are companies with a mix of fossil and renewable operations.

"I don't know what I want. What can I have?" Sometimes, it's easier to start at the other end.

As with general investing, there is a split between active and passive investments; active investments usually being traditional funds with a fund manager, and passive investments being ones that simply follow a set of rules. The debate over which is better has been going on a very long time, and there are champions (and big marketing budgets) on both sides.

In the fossil-fuel-free investment space there is some choice, but it's much narrower. On the active side, there are three basic approaches: you can choose a sector fund – perhaps healthcare funds; second, a normal fund which had no fossil fuel companies at its last reporting date (keep your fingers crossed this doesn't change); or third, a fund marketed as fossil fuel free – but

there is a very restricted choice and you will be forced to choose from a limited list of investment styles or geographies.

On the passive side there are some global equity trackers and some US trackers – some are actually fossil fuel free, and some merely have smaller investments in high carbon companies.

So, for many, picking an existing product will be inevitably be a compromise. If you want your definition of fossil fuel free, or to impose other ethical considerations, your chances of finding an investment that meets all those criteria gets even smaller. And that’s without considering price, structure, or quality.

Speaking to charitable trusts and foundations on these issues, it became apparent that there was never going to be a one-size fits all solution. And

that for many of them, there would not even be a particularly good solution with existing financial products, just a series of compromises. “What can I have?” was not going to have a satisfactory answer.

Our response? For charitable trusts and foundations that are large enough, an appropriate solution is to offer them bespoke passive investments: ones that meet their particular investment needs without compromises.

Now, not all of these considerations will matter to every reader. But some will. And I urge you to pause and think a bit more about what you actually want from an investment – and if you are willing to compromise.

Russ Bubley
[i for change](#)

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DIVESTMENT BY ANY OTHER NAME

By MATT
REEVES

William Shakespeare's most famous play may not use that line exactly, but the principle is the same. When it comes to divestment the thing itself is more important and more widely recognised than the name attached to it. What does this mean for the movement and the money that's pulled out of fossil fuels?

If you asked people on the street whether they've heard of divestment – the practice of institutions and individuals removing investments from fossil fuels – you'll get roughly one in ten saying yes. If you asked people whether they were concerned about the impact of investing in fossil fuels on their long term investment performance, you'd get something like double the number. For those with investments in fossil fuels, that rises to eight in ten.

These results came from the most recent Great British Money Survey (GBMS), an independent survey on the saving and investing habits of the British public. Three years of GBMS have consistently found that low numbers of people have heard of divestment but that many more are thinking about it – particularly with the ongoing low oil price, which shows little sign of recovery at time soon.

Indeed, it's primarily the value of the investment that is driving people to consider moving their money elsewhere, although a sizeable 34% of those with investments in fossil fuels are concerned about contributing indirectly to climate change.

So if people do act, where is all that money going to go?

The logical answer would be renewable energy, which is the energy source of tomorrow; wind turbines, solar panels, hydro, biomass, and more. After all, fossil fuels may be falling out of favour but we all still need to light and heat our homes.

Thankfully, it looks like that's what most people already want to do. For the third year running, renewable energy was the second most popular sector that people said they would like to invest in, beaten only by property. Now it's our job to make that desire a reality.

We're on the right track. Ten years ago the only way to invest in renewables was to have either an awful lot of money and do something yourself, or to invest through a pension or ISA into an ethical fund –but crucially you couldn't choose just how ethical.

Now, there is something for everyone. From Abundance, where investors choose individual projects and invest into them from just £5 each, to shares in green energy companies such as energy supplier Good Energy, via community share offers and ethical banks including Ecology Building Society and Triodos.

As the market continues to grow and more people become aware of the options and decent returns available to them outside the fossil fuel sector it may be the case that the word divestment is no longer needed. It'll just be common sense. 🌱

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DIVEST-INVEST PHILANTHROPY

Doing Good. Performing Better.
Beat your Benchmarks. Beat
Climate Change.

The global phenomenon known as Divest-Invest has surged in power and reach over the past year. With over \$3.4 trillion in total assets, an increasing number of institutions and individuals are moving their money out of planet-heating fossil fuels and into climate solutions. Fiduciaries for pension funds, municipalities, universities, health organizations, faith groups, public charities, private foundations, and corporations have all reached the same conclusion: Divesting and investing in the clean energy future is a prudent financial and ethical choice.

Historically, the fossil fuel industry has been a source of strong returns for shareholders. But the risks of fossil fuel reserves becoming stranded assets, the increasing costs of extraction, and the increasing cost competitiveness of renewables, now threaten those traditionally healthy yields. It is now financially prudent to move investment from fossil fuels to renewable energy and other climate solutions. It is also the clear ethical choice for foundations, who as charities, have a duty is to serve the public good. Divest-Invest Philanthropy welcomed its first members in January 2014. Since then, more than 120 foundations are walking the talk, while beating their benchmarks.

To Divest-Invest is to pledge, over five years, to sell holdings of fossil fuel shares and invest instead in climate solutions, such as centralized and distributed renewable energy, clean tech, sustainable water and food projects, climate justice program that bolster community ownership in the new energy economy, resilient

infrastructure, smart cities and energy efficiency. It is now a global and diverse movement, with pledges from over 500 hundred institutional investors and tens of thousands of individuals. As of Dec. 2, 2015, the assets under management of divesting institutions exceeded \$3.4 trillion – up from \$2.6 trillion just over one month prior.

Divest-Invest is rooted in science that requires that the vast majority of fossil fuels have to stay in the ground if we are to avert catastrophic climate changes. Because carbon dioxide persists in the atmosphere for hundreds, sometimes thousands, of years, it is the net amount of carbon emitted since the Industrial Revolution that is determinative. Humanity has a finite “carbon budget” – [one trillion tons](#) – that tracks to the 2 degree Celsius limit global governments committed not to cross at the Copenhagen climate negotiations in 2009, and reaffirmed in Paris 2015.

The economic underpinnings of the Divest-Invest movement come from the disruptive analysis of the Carbon Tracker Initiative in 2011, which mapped the carbon content of global fossil fuel reserves against the carbon budget, and concluded 60-80% of those reserves cannot be burned if we are to keep warming to 2 degrees Celsius above pre-industrial times.

It follows that if we are to prevent catastrophic climate changes, the bulk of reserves on the books of both state-owned and publicly-traded coal, oil and gas companies are “stranded assets” whose economic value won’t be realized. Instead, these assets will burn investors who do not divest before the carbon bubble bursts. Divestment is only one half of the equation. All members of Divest-Invest Philanthropy also pledge to invest at least 5% of their portfolio in climate solutions,

By CLARA
VONDRICH

broadly defined. Clean alternatives are popping up across every sector of the economy, and investors are poised to capture the upside of these new growth industries.

Divest-Invest: Theory of Change

Some question whether Divest-Invest is really an effective strategy, suggesting variously that the movement cannot really undercut the financials of the fossil fuel industry, or that only economy-wide policies like carbon pricing can move the needle on effecting the energy transition the world needs now. Meanwhile, major industry players like Peabody Coal have specifically noted that divestment poses a material threat to their business. And global leaders like Christiana Figueres have asked movement leaders to push for new commitments after the Paris climate talks as a means to keep the pressure on policymakers to pass and implement effective climate legislation.

But critics miss a more fundamental point: Divest-Invest is a social movement that is changing the way people conceive of and talk about the climate problem and its solutions. Every great societal change in modern democratic history is backed by a people's movement that dares to defy conventional wisdom and shine a light on what is possible. Politicians and bureaucrats are generally constrained by notions of political feasibility and expediency. Social movements say, no, the status quo will not do. They open a debate, and start to

expand hearts and minds. As argued by [a report from the Royal Society of Arts](#), the question is not what is 'realistic', but how we can best shape reality so that the energy transition already underway is accelerated. Divest-Invest is helping shape a new reality.

Ultimately, social movements – from Civil Rights in the 60s and the anti-Apartheid campaign in the 80s, to marriage equality and Black Lives Matter today – crack the status quo and help usher in transformational change. They contribute to an ecosystem in which new policies can be passed and implemented. Divest-Invest, in concert with the broader people's climate movement, is helping create the conditions in which carbon taxes and other financial reforms to end short-termism in the markets can see the light of day.

In more specific terms, Divest-Invest has a three-part theory of change: First, the ethical call for divestment is stigmatizing the fossil fuel industry and questioning its business model, which ignores external costs and treats the planet like a company in liquidation. Second, by calling for both divest and invest, institutional investors are shifting capital flows away from the problem and into a future fueled by sun, wind and water. Third, and most significantly, by activating campuses, congregations, and community leaders, the movement is building a broad-based constituency for climate action, emboldening politicians and global governments to act with increased ambition for real policy solutions. 🌱

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3D INVESTING FUND FOSSIL FUEL RATINGS

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
7im Sustainable Balanced	Fossilised	2	Has limited exposure to fossil fuels through SRI index funds and oil services, but the fund lacks a clear fossil fuel policy	Yes	Yes	No	No	No	Yes	No	No
Aberdeen Ethical World	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Aberdeen Multimanager Ethical	Fossilised	2	Permits investment in any type of fossil fuel, but has a mix of funds, some carbon positive	No	Yes	No	No	Yes	No	Yes	No
Aberdeen Responsible UK Equity	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	Yes	No	Yes	Yes	Yes	No
Alliance Trust Investors SF Absolute Growth	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management. Also invests in companies that reduce energy use.	No	Yes	No	No	No	No	No	No
Alliance Trust Investors SF Cautious Managed	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management. Also invests in companies that provide clean energy and reduce energy use.	No	Yes	No	No	No	No	No	No
Alliance Trust Investors SF Corporate Bond	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management.	No	Yes	No	Yes	Yes	No	No	No
Alliance Trust Investors SF Defensive Managed	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management. Also invests in companies that provide clean energy and reduce energy use.	No	Yes	No	No	Yes	No	No	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Alliance Trust Investors SF European Growth	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management. Also invests in companies that reduce carbon consumption.	No	No	No	No	No	No	No	No
Alliance Trust Investors SF Global Growth	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management. Also invests in companies that reduce energy use.	No	Yes	No	No	Yes	No	No	No
Alliance Trust Investors SF Managed	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management. Also invests in companies that provide clean energy and reduce energy use.	No	Yes	No	No	Yes	No	No	No
Alliance Trust Investors SF UK Growth	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management. Also invests in companies that provide clean energy and reduce energy use.	No	No	No	No	No	No	No	No
Alliance Trust Investors UK Ethical	Low Carbon	4	Detailed and rigorous policy that excludes oil and coal, only approves one gas producer; excludes high carbon industries and power production unless leaders in carbon management. Also invests in companies that provide clean energy and reduce energy use.	No	No	No	No	No	No	No	No
Alquity Africa	Fossilised	1	Permits investment in any type of fossil fuel and has substantial exposure to oil and coal	Yes	No	Yes	No	No	No	No	Yes
Alquity Asia	Potential Fossil	2	No current exposure but criteria permit investment in any type of fossil fuel and other Alquity funds do have significant exposure	No	No	No	No	No	No	No	Yes
Alquity Future World	Fossilised	1	Permits investment in any type of fossil fuel and has substantial exposure to oil and coal	Yes	No	Yes	No	No	No	No	No
Alquity Indian Subcontinent	Potential Fossil	2	No current exposure but criteria permit investment in any type of fossil fuel and other Alquity funds do have significant exposure	No	No	No	No	No	No	No	No
Alquity Latin America	Potential Fossil	2	No current exposure but criteria permit investment in any type of fossil fuel and other Alquity funds do have significant exposure	No	No	No	No	No	No	Yes	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Assura	Fossil Free	4	Invests in healthcare property	No	No	No	No	No	No	No	No
AXA IM Ethical Distribution	Almost Free	4	Only exposure is through engineering firms that supply equipment to the oil and coal industries, and there is a clear fossil fuel free policy	No	No	No	No	No	Yes	No	No
BGF New Energy	Low carbon	3	Invests in clean tech and clean energy but also shale gas	No	Yes	No	Yes	Yes	Yes	No	No
Bluefield Solar	Fossil Free	5	Invests in solar energy	No	No	No	No	No	No	No	No
BMO F&C Responsible Global Equity	Fossilised	1	Permits investment in any type of fossil fuel, with very limited exclusions of >1% in oil sands, Arctic,>10% thermal coal mining	Yes	No	No	No	No	No	No	No
BMO F&C Responsible Sterling Bond	Fossilised	1	Permits investment in any type of fossil fuel, with very limited exclusions of >1% in oil sands, Arctic,>10% thermal coal mining	Yes	No	Yes	Yes	Yes	No	No	No
BMO F&C Responsible UK Equity Growth	Fossilised	1	Permits investment in any type of fossil fuel, with very limited exclusions of >1% in oil sands, Arctic,>10% thermal coal mining	Yes	Yes	Yes	Yes	Yes	No	No	No
BMO F&C Responsible UK Income	Fossilised	1	Permits investment in any type of fossil fuel, with very limited exclusions of >1% in oil sands, Arctic,>10% thermal coal mining	Yes	Yes	Yes	Yes	Yes	No	No	No
Brookfield Renewable Power	Fossil Free	5	Invests in hydro	No	No	No	No	No	No	No	No
Candriam Equities Sustainable Emerging Markets	Fossilised	2	Purely 'best of class' in sector approach with no exclusions	No	Yes	No	No	Yes	No	No	Yes
Candriam Equities Sustainable North America	Fossilised	1	Purely 'best of class' in sector approach with no exclusions	Yes	Yes	No	No	No	Yes	No	No
Candriam Equities Sustainable World	Fossilised	1	Purely 'best of class' in sector approach with no exclusions	Yes	Yes	Yes	No	No	No	No	Yes
Conbrio Best Income	Almost Free	4	Avoids direct investment in fossil fuels and only has very limited exposure through power producer with strong renewables portfolio as well as coal and gas and gas distribution network	No	No	No	Yes	Yes	No	No	No
Dimensional Global Sustainability Core Equity	Fossilised	1	Permits investment in any type of fossil fuel and has substantial exposure to oil and coal	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Eden SRI	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Eden Tree Amity European	Fossilised	2	Permits investment in fossil fuels, but oil exposure is low due to ethical concerns, with a preference for gas	Yes	Yes	No	No	No	No	No	No
Edentree Amity International	Fossilised	2	Permits investment in fossil fuels, but oil exposure is low due to ethical concerns, with a preference for gas	Yes	Yes	No	No	Yes	No	No	No
Edentree Amity Sterling Bond	Fossilised	2	Permits investment in fossil fuels, but oil exposure is low due to ethical concerns, with a preference for gas	Yes	No	No	Yes	No	No	No	No
Edentree Amity UK	Fossilised	2	Permits investment in fossil fuels, but oil exposure is low due to ethical concerns, with a preference for gas	Yes	Yes	No	Yes	No	No	No	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Empiric Student Accommodation	Fossil Free	4	Invests in student accommodation	No	No	No	No	No	No	No	No
Family Charities Ethical	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	Yes	No	No	No	Yes	No
Foresight Solar	Fossil Free	5	Invests in solar energy	No	No	No	No	No	No	No	No
GCP Infrastructure	Fossil Free	5	Invests in social infrastructure including solar	No	No	No	No	No	No	No	No
GCP Student Living	Fossil Free	4	Invests in student accommodation	No	No	No	No	No	No	No	No
Goldman Sachs Global Responsible Equity Portfolio	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	No	No	No	No	No	No
Greencoat Wind	Fossil Free	5	Invests in wind energy	No	No	No	No	No	No	No	No
Guinness Asset Management Alternative Energy	Fossil Fuel Free	5	No exclusion per se but no exposure to fossil fuels and is wholly invested in renewables	No	No	No	No	No	No	No	No
Halifax Ethical	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	Yes	No	No	Yes	No	No
Hannon Armstrong Sustainable Infrastructure	Low Carbon	4	Invests in clean tech but also a small amount in natural gas	No	No	No	No	No	No	No	No
Henderson Global Care Growth	Low Carbon	4	Currently fossil fuel free but policy allows investment in natural gas. Also avoids road building and fossil fuel power producers	No	No	No	No	No	No	No	No
Henderson Global Care Managed	Fossilised	2	Policy allows investment in fossil fuels "if the company can demonstrate an outstandingly positive response towards environmental and social concerns", but the fund is exposed to coal and gas	No	Yes	Yes	Yes	No	No	No	No
Henderson Global Care UK Income	Low Carbon	3	Policy allows investment in fossil fuels "if the company can demonstrate an outstandingly positive response towards environmental and social concerns", but current exposure is very limited and restricted to natural gas	No	Yes	No	No	No	No	No	No
HICL	Fossil Free	4	Invests in social infrastructure	No	No	No	No	No	No	No	No
Impax Asian Environmental	Low Carbon	3	No fossil fuel policy but the fund invests in companies that derive a substantial proportion of revenues from environmental solutions. Exposure to fossil fuels is limited to clean coal in china, gas	No	No	No	Yes	Yes	Yes	No	No
Impax Environmental Markets Fund	Almost Free	5	No fossil fuel policy but this fund invests in environmental solutions including renewable energy and the only exposure to fossil fuels is through a power producer that sources 80% of its output from wind and the rest from coal	No	No	No	Yes	No	No	No	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Impax Environmental Markets PLC	Almost Free	5	No fossil fuel policy per se but this fund invests in environmental solutions including renewable energy and the only exposure to fossil fuels is through a power producer that sources 80% of its output from wind and the rest from coal	No	No	No	Yes	No	No	No	No
Innergex	Fossil Free	5	Invests in wind energy	No	No	No	No	No	No	No	No
International Public Partnerships	Fossil Free	5	Invests in social infrastructure including wind energy grid	No	No	No	No	No	No	No	No
iShares Dow Jones Europe Sustainability Screened ETF	Fossilised	1	Permits investment in any type of fossil fuel and has substantial exposure to fossil fuels	Yes	Yes	Yes	No	No	No	No	Yes
iShares Dow Jones Global Sustainability Screened ETF	Fossilised	1	Permits investment in any type of fossil fuel and has substantial exposure to fossil fuels	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Ishares Global Clean Energy UCITS ETF	Almost Free	5	No fossil fuel policy but the fund is invested in renewables and the only exposure to fossil fuels is through a power producer that sources 80% of its output from wind and the rest from coal	No	No	No	Yes	No	No	No	No
ishares Global Timber & Forestry UCITS ETF	Fossil Fuel Free	4	No fossil fuel policy but this fund invests wholly in the timber industry	No	No	No	No	No	No	No	No
ishares Global Water UCITS ETF	Almost Free	4	No fossil fuel policy but invests in water stocks and fossil fuel exposure is limited to a water company that also has a minority business in coal power	No	No	No	Yes	No	No	No	No
ishares US Medical Devices	Fossil Fuel Free	4	No fossil fuel policy but this fund invests wholly in medical equipment manufacturers	No	No	No	No	No	No	No	No
John Laing Environmental Assets	Fossil Free	5	Invests in clean energy	No	No	No	No	No	No	No	No
JSS Sustainable Equity New Power	Fossilised	3	No fossil fuel policy and has exposure to oil and gas, but also has a focus on renewables	Yes	Yes	No	No	Yes	Yes	No	No
JSS Sustainable Water	Almost Free	4	No fossil fuel policy but invests in water stocks and fossil fuel exposure is limited to a water company that also has a minority business in coal power and in one that also has a gas distribution business	No	No	No	Yes	Yes	No	No	No
Jupiter Ecology	Almost Free	5	No exclusion per se but the fund is invested in renewables and the only exposure to fossil fuels is through a power producer that sources 80% of its output from wind and the rest from coal	No	No	No	Yes	No	No	No	No
Jupiter Green	Almost Free	5	No exclusion per se but the fund is invested in renewables and the only exposure to fossil fuels is through a power producer that sources 80% of its output from wind and the rest from coal	No	No	No	Yes	No	No	No	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Jupiter Responsible Income	Fossilised	3	No exclusion but fossil fuel companies "are required to show outstanding practice" relative to other companies, with current exposure limited to gas and manufacturer of oil production facilities	No	Yes	No	No	Yes	Yes	No	No
Kames Capital Ethical Cautious Managed	Fossilised	1	No fossil fuel policy with exposure to oil, coal and gas	Yes	Yes	Yes	Yes	Yes	No	No	No
Kames Capital Ethical Corporate Bond	Potential Fossil	3	No fossil fuel policy, and although current exposure is limited gas dsitribution, other funds in the range do have wider exposure to fossil fuels	No	No	No	No	Yes	No	No	No
Kames Capital Ethical Equity	Fossilised	1	No fossil fuel policy with exposure to oil, coal and gas	Yes	Yes	Yes	Yes	No	No	No	No
L&G Ethical	Fossilised	1	No fossil fuel policy with significant exposure to oil and gas	Yes	Yes	No	Yes	No	Yes	Yes	No
L&G Global Environmental Enterprises	Almost Free	4	No fossil fuel policy but this is an environmental fund and exposure is currently limited to a power producer that uses fossil fuels as well as renewables	No	No	No	Yes	No	No	No	No
Leaf Clean Energy	Fossil Fuel Free	5	No fossil fuel exposure as this fund invests in unlisted clean energy stocks	No	No	No	No	No	No	No	No
LTC Properties	Fossil Free	4	Invests in healthcare property	No	No	No	No	No	No	No	No
Ludgate Environmental	Fossil Fuel Free	5	No fossil fuel exposure as this fund invests in unlisted stocks that redeuce carbon consumption	No	No	No	No	No	No	No	No
Lyxor ETF World Water	Almost Free	4	No fossil fuel policy but invests in water stocks and fossil fuel exposure is limited to a water company that also has a minority business in coal power	No	No	No	Yes	No	No	No	No
MAN GLG Global Sustainability Equity	Low Carbon	3	Uses a rather vague definition of sustainability, but fossil fuel exposure is limited to gas distribution	No	No	No	No	Yes	No	No	No
Market Vectors Environmental Services ETF	Almost Free	4	No fossil fuel policy but this is an environmental fund with exposure to fossil fuels limited to one oilfield services company	No	No	No	No	No	Yes	No	No
Market Vectors Global Alternative Energy	Almost Free	5	No exclusion per se but the fund is invested in renewables and the only exposure to fossil fuels is through a power producer that sources 80% of its output from wind and the rest from coal	No	No	No	Yes	No	No	No	No
Market Vectors Solar Energy ETF	Fossil Fuel Free	5	No fossil fuel policy but this fund has 100% exposure to solar energy and no fossil fuels	No	No	No	No	No	No	No	No
Medical Properties Trust	Fossil Free	4	Invests in healthcare property	No	No	No	No	No	No	No	No
MedicX	Fossil Free	4	Invests in healthcare property	No	No	No	No	No	No	No	No
Menhaden	Low Carbon	4	No fossil fuel policy but has focus on environmental efficiency and the only exposure to fossil fuels is through a fund that invests in fossil fuel companies that the most resource efficient	No	No	No	Yes	No	No	No	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
NextEnergy Solar Fund	Fossil Free	5	Invests in solar energy	No	No	No	No	No	No	No	No
Old Mutual Ethical	Low Carbon	4	Policy allows investment in fossil fuels if policies are adopted to mitigate the impacts, but in practice the fund's exposure is limited to gas distribution and infrastructure for oil and gas. The fund also invests in clean energy and energy management.	No	No	No	No	Yes	Yes	No	No
Pacific Assets Trust	Low Carbon	3	No fossil fuel policy but the manager avoids investment in fossil fuels for investment reasons and the only current exposure is gas distribution and industrial companies with high fossil fuel use	No	No	No	No	Yes	No	No	Yes
Pictet Clean Energy	Fossilised	3	Invests in clean energy but also has a substantial investment in gas production	No	Yes	No	No	Yes	No	No	No
Pictet Emerging Markets Sustainable Equities	Fossilised	1	No exclusion criteria and has substantial exposure to high carbon consumers and also to oil and gas producer	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Pictet Environmental Megatrend	Almost Free	5	No exclusion policies but includes carbon positive companies and very, very limited exposure limited to gas fired power plants	No	No	No	No	No	No	No	No
Pictet European Sustainable Equities	Fossilised	3	No exclusion policies and invests in gas production, but reports on lower carbon footprint than comparative index	No	Yes	No	Yes	Yes	No	No	Yes
Pictet Timber	Fossil Fuel Free	4	No fossil fuel policy but this fund invests wholly in the timber industry	No	No	No	No	No	No	No	No
Pictet Water	Almost Free	4	No fossil fuel policy but invests in water stocks and fossil fuel exposure is limited to water companies that also have a minority business in coal power and gas distribution	No	No	No	Yes	Yes	No	No	No
Powershares Global Clean Energy UCITS ETF	Almost Free	5	No fossil fuel policy but the fund is invested in renewables and the only exposure to fossil fuels is through a power producer that sources 80% of its output from wind and the rest from coal	No	No	No	Yes	No	No	No	No
Powershares Global Water UCITS ETF	Almost Free	4	No fossil fuel policy but invests in water stocks and fossil fuel exposure is limited to a water company that also has a minority business in coal power	No	No	No	Yes	No	No	No	No
Premier Ethical	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	No	No	No	No	Yes	No
Primary Healthcare Properties	Fossil Free	4	Invests in healthcare property	No	No	No	No	No	No	No	No
Quilter Cheviot Climate Assets	Low Carbon	4	Small exposure through gas producer but also significant holdings in clean energy	No	Yes	No	No	No	No	No	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Rathbone Ethical Corporate Bond	Fossil Fuel Free	4	Excludes fossil fuel production and has no exposure to fossil fuels, but little positive carbon merit as it is largely invested in financials.	No	No	No	No	No	No	No	No
Robeco SAM Smart Energy	Fossilised	3	Has substantial investment in gas	No	Yes	No	No	No	No	No	No
Robeco SAM Smart Materials	Fossilised	1	No clear fossil fuel policy and exposure to coal mining and high carbon consumers	No	No	Yes	No	No	No	No	Yes
Robeco SAM Sustainable Water	Low Carbon	4	No fossil fuel policy but invests in water stocks and fossil fuel exposure is limited to a water company that also has a minority business in coal power and oil services	No	No	No	Yes	No	Yes	No	No
Royal London Ethical Bond	Fossilised	1	No fossil fuel policy with significant exposure to oil and gas	Yes	Yes	Yes	Yes	Yes	No	No	No
Royal London Sustainable Diversified	Low Carbon	3	Avoids commodity companies on investment grounds and the only exposure is a power producer which also leads in renewables and gas distribution companies	No	No	No	Yes	Yes	No	No	No
Royal London Sustainable Leaders	Low Carbon	3	Avoids commodity companies on investment grounds and the only exposure is a gas distribution company	No	No	No	No	Yes	No	No	No
Royal London Sustainable Managed Growth	Low Carbon	3	Avoids commodity companies on investment grounds and the only exposure is a power producer which also leads in renewables and gas distribution companies	No	Yes	No	Yes	Yes	No	No	No
Royal London Sustainable Managed Income	Low Carbon	3	Avoids commodity companies on investment grounds and the only exposure is a power producer which also leads in renewables and gas distribution companies	No	No	No	Yes	Yes	No	No	No
Royal London Sustainable World	Low Carbon	3	Avoids commodity companies on investment grounds but it has exposure to a gas producer and a power producer which also leads in renewables	No	Yes	No	Yes	No	No	No	No
Royal London UK Equity Ethical	Fossilised	1	No fossil fuel policy with significant exposure to oil and gas	Yes	No	No	No	No	Yes	Yes	No
Sarasin Equisar Socially Responsible	Almost Free	3	Fossil fuel exposure limited to car manufacturers and gas distribution but there are no exclusion criteria.	No	No	No	No	Yes	Yes	No	No
Sarasin Sustainable Equity - Real Estate Global	Fossil Fuel Free	4	No fossil fuel policy but this fund invests wholly in property which exhibits some environmental benefits	No	No	No	No	No	No	No	No
Schroder Climate Change Equity	Fossilised	2	Has a low carbon policy but it includes an oil and gas producer and companies providing services to the oil and gas industry	Yes	Yes	No	No	No	Yes	Yes	Yes
Scottish Widows Environmental	Fossilised	2	No fossil fuel exclusion criteria and invests in gas production and could potentially invest in oil	No	Yes	No	No	Yes	No	Yes	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Scottish Widows Ethical	Fossilised	1	No fossil fuel exclusion criteria and invests in coal mining	No	No	Yes	No	No	No	Yes	No
Socially Responsible Investment Fund PCC	Almost Free	5	No criteria as such, but has a substantive amount in carbon positive stocks and just a very small amount in companies with a fossil fuel component	No	No	No	Yes	Yes	No	No	No
Sparinvest Ethical Global Value	Fossilised	1	Only avoids thermal coal and tar sands. Major exposure to oil drilling. Also car manufacturers, high carbon users and petrochemicals	Yes	No	No	No	No	Yes	Yes	Yes
St James Place Ethical	Fossilised	1	Permits investment in any type of fossil fuel and significant exposure to fossil fuels	Yes	Yes	Yes	Yes	No	No	No	No
Standard Life Ethical Corporate Bond	Fossilised	2	No exclusion policy beyond airlines and the fund is exposed to gas production	No	Yes	No	Yes	No	No	No	No
Standard Life European Ethical	Fossilised	1	No exclusion policy beyond airlines and the fund is exposed to oil and gas production	Yes	Yes	No	No	No	Yes	No	Yes
Standard Life UK Ethical	Fossilised	1	No exclusion policy beyond airlines and the fund is exposed to gas production and has been exposed to oil production and coal mining	No	Yes	No	No	No	Yes	No	No
Stewart Investors Asia Pacific Sustainability	Low Carbon	3	No fossil fuel policy but the manager avoids investment in fossil fuels for investment reasons and the only current exposure is gas distribution and industrial companies with high fossil fuel use	No	No	No	No	Yes	No	No	Yes
Stewart Investors Global Emerging Markets Sustainability	Low Carbon	3	No fossil fuel policy but the manager avoids investment in fossil fuels for investment reasons and the only current exposure is gas distribution and industrial companies with high fossil fuel use	No	No	No	No	Yes	No	No	Yes
Stewart Investors Worldwide Sustainability	Almost Free	3	No fossil fuel policy but the manager avoids investment in fossil fuels for investment reasons and the only current exposure is a company supplying energy from gas as well as hydro, and a company making thermal power plants	No	No	No	No	Yes	Yes	No	No
SVM All Europe SRI	Fossilised	1	No fossil fuel exclusion policy and substantial oil and gas exposure in the past	Yes	Yes	No	No	No	No	Yes	No
Target Healthcare	Fossil Free	4	invests in care homes	No	No	No	No	No	No	No	No
The Renewable Investment Group	Fossil Free	5	Invests in wind energy	No	No	No	No	No	No	No	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Threadneedle UK Social Bond	Low Carbon	3	No fossil fuel policy, with an emphasis on social outcomes. No exposure to energy companies but significant investment in airports and shopping centres with a large carbon footprint.	No	No	No	No	No	No	Yes	No
Triodos Sustainable Equity	Fossil Fuel Free	5	The fund excludes all fossil fuels including production of power from coal and services used in oil and gas production. It also invests in companies that provide clean energy and reduce energy use.	No	No	No	No	No	No	No	No
Triodos Sustainable Pioneer	Fossil Fuel Free	5	The fund excludes all fossil fuels including production of power from coal and services used in oil and gas production. It also has major investments in companies that provide clean energy and reduce energy use.	No	No	No	No	No	No	No	No
UBS MSCI Pacific Socially Responsible UCITS ETF	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	No	No	No	No	Yes	No
UBS ETF (LU) MSCI Europe&Middle East S. R. UCITS ETF	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	No	No	Yes	Yes	Yes	No
UBS ETF (LU) MSCI North America S. R. UCITS ETF	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	No	Yes	Yes	Yes	No	No
UBS ETF (LU) MSCI World Socially Responsible UCITS ETF	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	No	Yes	Yes	Yes	Yes	No
UBS MSCI Emerging Markets Socially Responsible UCITS ETF	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	Yes	Yes	No	No	Yes	Yes
UBS MSCI UK IMI Socially Responsible UCITS ETF	Fossilised	1	Permits investment in any type of fossil fuel	Yes	Yes	No	No	No	Yes	Yes	No
Vanguard SRI European Stock	Fossilised	1	No fossil fuel policy with high exposure to oil and gas	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Vanguard SRI Global Stock	Fossilised	1	No fossil fuel policy with high exposure to oil and gas	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ventas	Fossil Free	4	Invests in healthcare property	No	No	No	No	No	No	No	No
Virgin Climate change	Fossilised	1	No fossil fuel policy with significant exposure to oil and gas	Yes	Yes	No	No	Yes	No	Yes	No
Vontobel Clean Technology	Almost Free	5	Invests in clean technology and energy and exposure to fossil fuels is limited to gas distribution and a power producer that sources 80% of its output from wind and the rest from coal	No	No	No	Yes	Yes	No	No	No
Vontobel New Power	Fossilised	3	Invests in renewable energy but also oil and gas	Yes	Yes	No	No	No	No	No	No

Fund Name	Fossil Fuel Classification	Fossil Fuel Rating	Fossil Fuel Summary	Oil exploration & development	Gas exploration & development	Coal mining	Coal fired power stations	Gas distribution & power	Oil & gas services	Air Transport	High Carbon Consumers
Vontobel Sustainable Asian Leaders	Potential Fossil	2	No fossil fuel avoidance policy and absence of direct exposure to oil and gas production is investment related	No	No	No	Yes	No	No	No	No
Vontobel Sustainable Global Leaders	Potential Fossil	2	No fossil fuel avoidance policy and absence of direct exposure to oil and gas production is investment related	No	No	No	No	No	Yes	No	No
Way Green Portfolio	Almost Free	5	Substantial investments in clean energy and technology but very small exposure to fossil fuels via constituent funds	No	No	Yes	Yes	No	No	No	Yes
WHEB Sustainability	Almost Free	5	The fund reports on its low carbon footprint. It has a major investment in clean energy and resource efficient companies and the only fossil fuel exposure is in a company that distributes gas and a wind power producer that also owns coal power stations.	No	No	No	Yes	Yes	No	No	No

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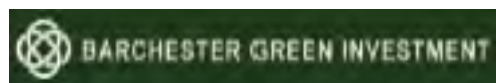
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