

The Morningstar ESG Commitment Level

Our second assessment of 140 strategies and 31 asset managers

Morningstar Manager Research

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Executive Summary

At the end of last year, we unveiled the [Morningstar ESG Commitment Level](#), a new qualitative measure that aims to help investors better understand how environmental, social, and governance factors inform investment strategies, and also which funds and asset managers are committed to delivering the ESG outcomes that best meet investors' sustainability preferences.

The Morningstar ESG Commitment Level expresses our analysts' assessments of strategies' and asset managers' determination to incorporate ESG factors into their investment processes and organizations. In a [report](#) published last November, we introduced our framework and shared the results of our first round of evaluations, which consisted of 146 funds, representing 107 individual strategies, and 40 asset managers spread across the globe.

In this report, we unveil the results of our second round of evaluations, which consists of 251 funds, representing 140 strategies, and 31 asset managers. This report coincides with the launch of ESG Commitment Level metrics in Morningstar products and on websites.

Key Takeaways

- ▶ Out of the 140 strategies evaluated, one and 19 were awarded a Morningstar ESG Commitment Levels of Leader and Advanced, respectively. Fifty-nine received an ESG Commitment Level of Basic, while 61 earned an ESG Commitment Level of Low. This distribution reflects our sample bias toward non-ESG-focused strategies.
- ▶ Out of the 31 asset managers assessed, only one was awarded our top accolade of Leader, Australia's Affirmative Investment Management. Five firms, including Amundi, BNP Paribas Asset Management, HSBC Global Asset Management, Jupiter, and LGIM earned the Advanced level.
- ▶ The largest group of asset managers (13) received an ESG Commitment Level of Basic, including Allianz Global Investors, Invesco, JPMorgan, State Street, and T. Rowe Price. Twelve earned an ESG Commitment Level of Low, including Franklin Templeton, Janus Henderson, Mellon Investments, and VanEck.
- ▶ In this report, we outline what we consider best practices for asset managers. As the industry continues to evolve, we highlight the strongest approaches for each pillar: Philosophy & Process, Resources, and Active Ownership.

Exhibit 1 Summary of Morningstar ESG Commitment Levels

ESG Commitment Level	Number of Strategies	Number of Asset Managers
Leader	1	1
Advanced	19	5
Basic	59	13
Low	61	12
Total	140	31

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct.

Introduction

Amid both a rapidly expanding array of [sustainable fund options](#) and claims made by more and more asset managers that they are incorporating ESG factors into their investment decisions, investors are seeking help. They want to understand how ESG factors inform investment strategies, as well as which asset managers are committed to delivering sustainable outcomes.

For this reason, Morningstar developed a new qualitative measure, the Morningstar ESG Commitment Level. It expresses our analysts' assessments of asset managers' and individual strategies' commitment to incorporating ESG criteria into their investment organization and processes. The scale runs from best to worst as follows: Leader, Advanced, Basic and Low.

This new evaluation is entirely separate from the [Morningstar Analyst Rating](#), which expresses our analysts' expectations that a fund will be able to outperform its category benchmark index over time. The ESG Commitment Level is not evaluating expected performance. It is focused on the extent to which asset managers and funds incorporate ESG considerations into their investment processes, and it highlights the funds and asset managers that are leading the way when it comes to ESG investing.

The ESG Commitment Level is also complementary to the existing [Morningstar Sustainability Rating](#). The latter is a quantitative holdings-based measure of a fund's ESG risks relative to category peers. Investors may find it helpful to use the two measures in tandem, but they are separate—one qualitative and based on an overall assessment of a strategy, the other quantitative and based on the ESG risks of a strategy's portfolio holdings.

In this report, we share the results of our new evaluations for a group of 140 strategies and 31 asset managers covered by our teams in North America, EMEA, Hong Kong, and Australia. Our first cohort included a majority of ESG-focused funds (tagged as "sustainable investment" in the Morningstar Direct database) that spanned the globe. By contrast, this cohort contains a minority of ESG-focused funds. Out of the 140 strategies, only 42 are tagged as "sustainable investment", including 26 passive funds. The remainder are conventional strategies that may incorporate ESG considerations but do not seek to achieve a specific ESG outcome. This cohort is a more representative sample of the full universe of

funds under Morningstar Analyst coverage. The asset managers covered in this report are those that handle the day-to-day portfolio management of the selected funds.

Strategies

Out of the 140 strategies assessed in this report, we have awarded a Morningstar ESG Commitment Level of Leader to only one, Affirmative Global Bond Fund.

Leader funds integrate ESG factors fully into their security analysis and portfolio construction, and they deliver desirable ESG outcomes at the portfolio level, such as a high sustainability profile, advancing the UN Sustainable Development Goals, or similar. To achieve this outcome, these funds' investment teams are armed with a large amount of data sources, and analysis is carried out by a well-size team with strong expertise in ESG topics. Finally, Leader strategies incorporate purposeful proxy voting and corporate engagement to push companies toward more sustainable practices, and they typically have best-in-class procedures for reporting and disclosure.

Exhibit 2 Leader Strategies

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
Affirmative Global Bond Fund - A	Active	Leader	Fixed Income	Australia Fund Bonds - Global	Affirmative Investment Management	Leader

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

We have awarded a Morningstar ESG Commitment Level of Advanced to 19 strategies. This group includes actively managed funds such as Fidelity Sustainable Asia Equity and Calvert Growth Allocation, in addition to exchange-traded funds including iShares MSCI KLD 400 Social ETF and UBS (Lux) FS MSCI EM SRI. For these funds, ESG considerations are a key part of the strategy even if they fall short of ESG Leader funds in one or more areas. ESG data affects security selection and portfolio weights and may drive portfolio-level targets to meet certain sustainable metrics. To deliver such outcomes, Advanced strategies have investment teams that exhibit strong ESG credentials.

Exhibit 3 Advanced Strategies

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
Calvert Conservative Allocation A	Active	Advanced	Allocation	US Fund Allocation — 30% to 50% Equity	Calvert	Leader
Calvert Growth Allocation A	Active	Advanced	Allocation	US Fund Allocation — 85%+ Equity	Calvert	Leader
Calvert Moderate Allocation A	Active	Advanced	Allocation	US Fund Allocation — 50% to 70% Equity	Calvert	Leader
Calvert Responsible Aggressive Growth	Active	Advanced	Allocation	US Model Allocation — 85%+ Equity	Calvert	Leader
Calvert Responsible Capital Preservation	Active	Advanced	Allocation	US Model Allocation — 15% to 30% Equity	Calvert	Leader
Calvert Responsible Cnsv Allocation	Active	Advanced	Allocation	US Model Allocation — 30% to 50% Equity	Calvert	Leader
Calvert Responsible Growth Allocation	Active	Advanced	Allocation	US Model Allocation — 70% to 85% Equity	Calvert	Leader
Calvert Responsible Moderate Allocation	Active	Advanced	Allocation	US Model Allocation — 50% to 70% Equity	Calvert	Leader
Fidelity Sustainable Asia Eq A-Dis-USD	Active	Advanced	Equity	EAA Fund Asia ex-Japan Equity	Fidelity International	Basic
Fidelity Sustainable Asia Equity W Acc	Active	Advanced	Equity	EAA Fund Asia ex-Japan Equity	Fidelity International	Basic
iShares € Corp Bond 0-3yr ESG ETF € Dist	Passive	Advanced	Fixed Income	EAA Fund EUR Corporate Bond - Short Term	BlackRock	Basic
iShares € Corp Bond ESG ETF EUR Dist	Passive	Advanced	Fixed Income	EAA Fund EUR Corporate Bond	BlackRock	Basic
iShares MSCI KLD 400 Social ETF	Passive	Advanced	Equity	US Fund Large Blend	BlackRock	Basic
Stt Strt EUR Sust Corp Bd Idx I EUR Inc	Passive	Advanced	Fixed Income	EAA Fund EUR Corporate Bond	State Street	Basic
UBS ETF MSCI UK IMI SRI GBP A dis	Passive	Advanced	Equity	EAA Fund UK Large-Cap Equity	UBS	Basic
UBS(Lux)FS MSCI EM SRI USD Adis	Passive	Advanced	Equity	EAA Fund Global Emerging Markets Equity	UBS	Basic
UBS(Lux)FS MSCI Japan SRI JPY Adis	Passive	Advanced	Equity	EAA Fund Japan Large-Cap Equity	UBS	Basic
UBS(Lux)FS MSCI USA SRI USD Adis	Passive	Advanced	Equity	EAA Fund US Large-Cap Blend Equity	UBS	Basic
Xtrackers MSCI Em Mkt ESG ETF 1C	Passive	Advanced	Equity	EAA Fund Global Emerging Markets Equity	DWS	Basic
Xtrackers MSCI Japan ESG ETF 1C	Passive	Advanced	Equity	EAA Fund Japan Large-Cap Equity	DWS	Basic

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Fifty-nine strategies have received a Morningstar ESG Commitment Level of Basic. This group encompasses the broadest range of ESG practices, from simple exclusionary screens, such as those applied by Vanguard ESG Developed World All Cap Equity Index Fund, to more-integrated approaches like those seen in Jupiter European, MFS Growth, and Neuberger Berman High Income Bond. These funds may not explicitly pursue any ESG outcomes, but they demonstrate some degree of ESG incorporation and have the resources and expertise to implement it.

Exhibit 4 Basic Strategies (Sample)

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
Ariel Fund Investor	Active	Basic	Equity	US Fund Mid-Cap Value	Ariel Investments	Low
Bell Global Equities	Active	Basic	Equity	Australia Fund Equity World Large Blend	Bell Asset Mgmt	Basic
BGF Fixed Income Global Opps A2	Active	Basic	Fixed Income	EAA Fund Global Flexible Bond - USD Hedged	BlackRock	Basic
BlackRock Equity Dividend Instl	Active	Basic	Equity	US Fund Large Value	BlackRock	Basic
BlackRock National Municipal Instl	Active	Basic	Fixed Income	US Fund Muni National Interm	BlackRock	Basic
BlackRock Strategic Income Opps Instl	Active	Basic	Fixed Income	US Fund Nontraditional Bond	BlackRock	Basic
BlackRock Total Return K	Active	Basic	Fixed Income	US Fund Intermediate Core-Plus Bond	BlackRock	Basic
Calvert International Responsible Idx I	Passive	Basic	Equity	US Fund Foreign Large Blend	Calvert	Leader
Calvert US Large Cap Core Rspnb Idx I	Passive	Basic	Equity	US Fund Large Blend	Calvert	Leader
Columbia Corporate Income Inst	Active	Basic	Fixed Income	US Fund Corporate Bond	Columbia Threadneedle	Basic
Columbia High Yield Bond A	Active	Basic	Fixed Income	US Fund High Yield Bond	Columbia Threadneedle	Basic
Dimensional Gbl Bond Sustainability AUD	Active	Basic	Fixed Income	Australia Fund Bonds - Global	Dimensional	Low
Goldman Sachs Bond Institutional	Active	Basic	Fixed Income	US Fund Intermediate Core-Plus Bond	Goldman Sachs	Basic
Hartford Schroders US MidCap Opps I	Active	Basic	Equity	US Fund Mid-Cap Blend	Schroder	Advanced
iShares ESG Aware MSCI EM ETF	Passive	Basic	Equity	US Fund Diversified Emerging Mkts	BlackRock	Basic
iShares JP Morgan ESG \$ EM Bd ETF USD Acc	Passive	Basic	Fixed Income	EAA Fund Global Emerging Markets Bond	BlackRock	Basic
iShares MSCI EMU ESG Enh ETF EUR Dist	Passive	Basic	Equity	EAA Fund Eurozone Large-Cap Equity	BlackRock	Basic
iShares MSCI Japan ESG Scrn ETF USD Acc	Passive	Basic	Equity	EAA Fund Japan Large-Cap Equity	BlackRock	Basic
iShares ESG MSCI EM Leaders ETF	Passive	Basic	Equity	US Fund Diversified Emerging Mkts	BlackRock	Basic
Lyxor ESG Euro Corp Bd ETF Acc	Passive	Basic	Fixed Income	EAA Fund EUR Corporate Bond	Lyxor	Low
Janus Henderson Australian Fxd Intst	Active	Basic	Fixed Income	Australia Fund Bonds - Australia	Janus Henderson	Low
JPMorgan Large Cap Growth I	Active	Basic	Equity	US Fund Large Growth	JPMorgan	Basic
Jupiter European Growth L EUR Acc	Active	Basic	Equity	EAA Fund Europe Large-Cap Growth Equity	Jupiter	Advanced
Jupiter European L Inc	Active	Basic	Equity	EAA Fund Europe ex-UK Equity	Jupiter	Advanced
Jupiter Merlin Conservative I Acc	Active	Basic	Allocation	EAA Fund GBP Moderately Cautious Allocation	Jupiter	Advanced
Magellan Global Open Class	Active	Basic	Equity	Australia Fund Equity World Large Blend	Magellan	Low
MFS Growth B	Active	Basic	Equity	US Fund Large Growth	MFS	Basic
MFS International Intrinsic Value A	Active	Basic	Equity	US Fund Foreign Large Growth	MFS	Basic
Nanuk New World	Active	Basic	Equity	Australia Fund Equity World Large Blend	Nanuk	Basic
Neuberger Berman High Income Bond Inv	Active	Basic	Fixed Income	US Fund High Yield Bond	Neuberger Berman	Basic
Neuberger Berman HY Bd USD I Acc	Active	Basic	Fixed Income	EAA Fund USD High Yield Bond	Neuberger Berman	Basic
Robeco QI European Cnsvr Eqs I €	Active	Basic	Equity	EAA Fund Europe Large-Cap Blend Equity	Robeco	Leader
Robeco QI Global Conservative Eqs I \$	Active	Basic	Equity	EAA Fund Global Large-Cap Blend Equity	Robeco	Leader
Schroder Asian Income Acc	Active	Basic	Equity	EAA Fund Asia-Pacific ex-Japan Equity Income	Schroder	Advanced
Schroder ISF US Smaller Coms A Dis AV	Active	Basic	Equity	EAA Fund US Small-Cap Equity	Schroder	Advanced
Schroder US Mid Cap Inc	Active	Basic	Equity	EAA Fund US Mid-Cap Equity	Schroder	Advanced
Schroder US Smaller Companies Inc	Active	Basic	Equity	EAA Fund US Small-Cap Equity	Schroder	Advanced
State Street Climate ESG Intl Eq	Active	Basic	Equity	Australia Fund Equity World Large Blend	State Street	Basic
T. Rowe Price Growth Stock	Active	Basic	Equity	US Fund Large Growth	T. Rowe Price	Basic
T. Rowe Price Small-Cap Stock	Active	Basic	Equity	US Fund Small Growth	T. Rowe Price	Basic
Vanguard Dividend Growth Inv	Active	Basic	Equity	US Fund Large Blend	Wellington Mgmt	Basic
Vanguard ESG Dev Wld All Cp Eq Idx EUR Acc	Passive	Basic	Equity	EAA Fund Global Large-Cap Blend Equity	Vanguard	Low

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa. This list represents only a sample of Basic Strategies. See the full list in the Appendix.

Finally, we have assigned a Morningstar ESG Commitment Level of Low to 61 strategies, including American Funds New World, Columbia Quality Income, and JPMorgan Income Builder. This group is the largest of the 140 strategies in our second cohort, a natural outcome given the cohort is heavily populated with nonintentional ESG strategies. For these funds, ESG considerations play only a minor role, if any, in the execution of the strategy. Some are just beginning to incorporate ESG research into their processes.

Exhibit 5.a Low Strategies (Sample)

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
American Century Growth Inv	Active	Low	Equity	US Fund Large Growth	American Century	Low
American Funds American Balanced A	Active	Low	Allocation	US Fund Allocation—50% to 70% Equity	Capital Group (American Funds)	Basic
American Funds Fundamental Invs A	Active	Low	Equity	US Fund Large Blend	Capital Group (American Funds)	Basic
American Funds New World A	Active	Low	Equity	US Fund Diversified Emerging Mkts	Capital Group (American Funds)	Basic
Antipodes Global Fund - Class P	Active	Low	Equity	Australia Fund Equity World Large Blend	Antipodes Partners	Low
Baird Aggregate Bond Inst	Active	Low	Fixed Income	US Fund Intermediate Core Bond	Baird	Low
Baird Core Plus Bond Inst	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Baird	Low
Capital Group New World (LUX) Z	Active	Low	Equity	EAA Fund Global Emerging Markets Equity	Capital Group (American Funds)	Basic
Columbia Bond Inst	Active	Low	Fixed Income	US Fund Intermediate Core Bond	Columbia Threadneedle	Basic
Columbia Contrarian Core Inst	Active	Low	Equity	US Fund Large Blend	Columbia Threadneedle	Basic
Columbia Strategic Income A	Active	Low	Fixed Income	US Fund Nontraditional Bond	Columbia Threadneedle	Basic
Columbia Total Return Bond Inst	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Columbia Threadneedle	Basic
Fidelity Freedom 2005	Active	Low	Allocation	US Fund Target-Date 2000-2010	Fidelity Investments	Low
Fidelity Contrafund	Active	Low	Equity	US Fund Large Growth	Fidelity Investments	Low
Fidelity Overseas	Active	Low	Equity	US Fund Foreign Large Growth	Fidelity Investments	Low
Franklin Growth A	Active	Low	Equity	US Fund Large Growth	Franklin Templeton	Low
Franklin Mutual Global Discovery Z	Active	Low	Equity	US Fund World Large-Stock Value	Franklin Templeton	Low
Fundsmith Equity I Acc	Active	Low	Equity	EAA Fund Global Large-Cap Growth Equity	Fundsmith	Low
Hartford Dividend and Growth Y	Active	Low	Equity	US Fund Large Value	Wellington Management	Basic
Invesco Global A	Active	Low	Equity	US Fund World Large-Stock Growth	Invesco	Basic
Invesco Main Street A	Active	Low	Equity	US Fund Large Blend	Invesco	Basic
iShares Global Water ETF USD Dist	Passive	Low	Equity	EAA Fund Sector Equity Water	BlackRock	Basic
Janus Henderson Triton D	Active	Low	Equity	US Fund Small Growth	Janus Henderson	Low
JPMorgan Income Builder I	Active	Low	Allocation	US Fund Allocation—30% to 50% Equity	JPMorgan	Basic
JPMorgan Multi Income (mth) - USD	Active	Low	Allocation	EAA Fund USD Moderate Allocation	JPMorgan	Basic
Loomis Sayles Core Plus Bond A	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Loomis Sayles	Low
Loomis Sayles Investment Grade Bond Y	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Loomis Sayles	Low
Loomis Sayles Strategic Income A	Active	Low	Fixed Income	US Fund Multisector Bond	Loomis Sayles	Low
M.D. Sass Core Fix-Inc	Active	Low	Fixed Income	US SA Intermediate Government	M.D. Sass	Low
MassMutual Premier Main Street R5	Active	Low	Equity	US Fund Large Blend	Invesco	Basic

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa. This list represents only a sample of Low Strategies. See the full list in the Appendix.

Exhibit 5.b Low Strategies (Sample) (Continued)

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
Platinum Global Fund	Active	Low	Equity	Australia Fund Equity World Large Blend	Platinum	Low
Platinum International Fund	Active	Low	Equity	Australia Fund Equity World Large Blend	Platinum	Low
T. Rowe Price Global Growth Stock	Active	Low	Equity	US Fund World Large-Stock Growth	T. Rowe Price	Basic
T. Rowe Price Health Sciences	Active	Low	Equity	US Fund Health	T. Rowe Price	Basic
T. Rowe Price Retirement 2005	Active	Low	Allocation	US Fund Target-Date 2000-2010	T. Rowe Price	Basic
T. Rowe Price Value	Active	Low	Equity	US Fund Large Value	T. Rowe Price	Basic
T. Rowe Price Global Equity Growth	Active	Low	Equity	NZ OE Equity Region World	T. Rowe Price	Basic
TIAA-CREF Core Bond Instl	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Nuveen, A TIAA Company	Advanced
Vanguard Instl Trgt Retire 2015 Instl	Active	Low	Allocation	US Fund Target-Date 2015	Vanguard	Low
Vanguard Interm-Term Invmt-Grade Inv	Active	Low	Fixed Income	US Fund Corporate Bond	Vanguard	Low
Vanguard LifeStrategy 20% Eq A Grs Acc	Active	Low	Allocation	EAA Fund GBP Cautious Allocation	Vanguard	Low
Vanguard LifeStrategy Growth Inv	Active	Low	Allocation	US Fund Allocation—70% to 85% Equity	Vanguard	Low
Vanguard Target Retirement 2015 Inv	Active	Low	Allocation	US Fund Target-Date 2015	Vanguard	Low
VY Invesco Oppenheimer Global I	Active	Low	Equity	US Fund World Large-Stock Growth	Invesco	Basic

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa. This list represents only a sample of Low Strategies. See the full list in the Appendix.

Asset Managers

Out of the 31 asset managers assessed here, we have awarded a Morningstar ESG Commitment Level of Leader to only one: Affirmative Investment Management. We recognize that ESG investing is core to the identity of this firm. Affirmative's sole commitment is to sustainable fixed-income investing and achieving a broader impact. ESG considerations are ingrained and pervasive across the firm—in its investment processes, strategies, and also in its own operations.

Exhibit 6 Leader Asset Managers

Asset Manager	Asset Manager ESG Commitment Level
Affirmative Investment Management	Leader

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Five asset managers earned a Morningstar ESG Commitment Level of Advanced: Amundi, BNP Paribas Asset Management, HSBC Global Asset Management, Jupiter, and LGIM. These firms are among the industry's strongest ESG proponents. While they are deliberate in integrating ESG considerations into their investment processes using robust resources and formal monitoring, there are areas of their combined portfolios to which ESG investing principles are not deliberately applied, unlike asset managers assigned to the Leader level.

Exhibit 7 Advanced Asset Managers

Asset Manager	Asset Manager ESG Commitment Level
Amundi	Advanced
BNP Paribas Asset Management	Advanced
HSBC Global Asset Management	Advanced
Jupiter	Advanced
Legal & General IM (LGIM)	Advanced

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

We awarded a Morningstar ESG Commitment Level of Basic to 13 asset managers. These include Allianz Global Investors, Invesco, JPMorgan, State Street, and T. Rowe Price, and other firms that incorporate ESG considerations at a lesser degree than Leader and Advanced firms. The Basic ESG Commitment Level group represents our largest and most diverse group of asset managers in terms of ESG investment experience. Some are still in the early stages of their ESG incorporation journey, while others are much further along --close to, but not quite reaching Advanced. Because the evaluation spans three pillars, some may be Advanced in some respects and progressing towards Advanced in other respects, whereas others may only just qualify for this level.

Exhibit 8 Basic Asset Managers

Asset Manager	Asset Manager ESG Commitment Level
Aberdeen Standard	Basic
Allianz Global Investors	Basic
Bell Asset Management	Basic
Columbia Threadneedle	Basic
Fidelity International	Basic
Goldman Sachs	Basic
Invesco	Basic
JPMorgan	Basic
MFS	Basic
Morgan Stanley	Basic
Nanuk	Basic
State Street	Basic
T. Rowe Price	Basic

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Finally, 12 asset managers in our sample, including Franklin Templeton, Janus Henderson, Mellon Investments, and VanEck, received an ESG Commitment Level of Low. Firms at this level are typically just getting started on incorporating ESG considerations into their investment processes, using ESG criteria in a limited or more-variable way, or simply not incorporating ESG research at all.

Exhibit 9 Low Asset Managers

Asset Manager	Asset Manager ESG Commitment Level
Antipodes Partners	Low
Ariel Investments	Low
Baird	Low
Franklin Templeton	Low
Fundsmith	Low
Janus Henderson	Low
M.D. Sass	Low
Magellan	Low
Mellon Investments	Low
Platinum	Low
VanEck	Low
Voya	Low

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Deep Dive Into the ESG Commitment Level for Asset Managers**Philosophy & Process****The Significance of Philosophy & Process**

In the asset management industry, a firm's investment philosophy underpins every facet of the organization. Firms seek and attract talent that are aligned with their beliefs about investing, and their cultures are built around the investment offerings. This philosophy typically dictates the flow of resources, which in turn often guides investment success. Therefore, it is important that the investment strategies offered be aligned with the firm's culture.

As flows to sustainable products have skyrocketed in recent years, more and more asset managers have launched ESG strategies to meet the rising demand. However, it takes time to develop a culture of sustainable investing. For this reason, firms with a long history of ESG investing practices, together with a well-integrated central philosophy of sustainability, have an edge over peers that are newer to the space.

How Morningstar Analysts Evaluate Philosophy & Process

Of the three pillars that make up the Morningstar ESG Commitment Level for Asset Managers, Philosophy & Process receives the highest weighting, at 40% of the overall score. The Philosophy & Process Pillar examines the history of a firm's involvement with ESG investing and its relative importance within the firm's culture and investment strategies.

To assess these elements of a firm, Morningstar analysts consider a range of factors, including the firm's history as a signatory to the UN Principles for Responsible Investment and commitment to industry-leading investor initiatives. We seek to understand the breadth and depth of ESG integration in the investment lineup. For example, integration efforts are commonly managed through practices such as

centralized ESG risk oversight and minimum criteria to drive sustainable outcomes. We also look for accountability and incentives surrounding sustainability goals at all levels of the organization. In the strongest examples, a firm's sustainable investment philosophy will also be reflected in the organization's internal practices, which may include initiatives such as pay parity, career development, community engagement, strong governance oversight, and carbon footprint measurement and reduction.

The evaluation of Philosophy & Process draws on insights from the other pillars of the ESG Commitment Level. While the pillars are separate in many ways, they are also interconnected. A strong Philosophy & Process will be evidenced in areas like team structure and compensation incentives, which are inputs for Resources, as well as the firm's record on shareholder engagement, an input for Active Ownership. These inputs do not drive our assessment of a firm's Philosophy & Process, but they serve to corroborate a strong and well-integrated philosophy.

Best Practices

For the asset managers who sit at the higher end of the spectrum, sustainable investing is core to the firm's identity. The firm operates from a shared belief that sustainability goals go hand in hand with financial return, and this is reflected at all levels of the organization. In the strongest cases, this philosophy of a dual outcome is evidenced in the firm's investment offerings. In addition to ESG-focused strategies, these asset managers commonly mandate a firmwide minimum level of compliance with ESG goals and restrictions.

Furthermore, for these asset managers, sustainable investing isn't a new initiative. Each of the asset managers that earned a Morningstar ESG Commitment Level of either Advanced or Leader signed the UN PRI more than decade ago. That's remarkable when you consider the UN PRI only launched 15 years ago. By that time, most of these firms already had formal ESG policies and integrated ESG principles into their investment offerings.

While a number of firms boast a long track record of ESG investing, we see that the strongest asset managers do not rest on their laurels. These firms have developed a culture of sustainability that permeates from the highest levels of the organization to the most junior. Senior leaders at the firm are committed to sustainability, which is reflected in the firm's internal practices around workforce development, compensation, data privacy, governance, and environmental impact. Furthermore, newly hired employees typically join because of alignment with the culture of ESG investing, and everyone between is engaged with the initiative.

Firms that earn top marks are transparent about the purpose of ESG considerations in their investment portfolios and how their overall investment philosophy aligns with ESG principles. These firms have established clear and detailed ESG policies, which are implemented consistently and effectively at all levels of the organization, from the board level down through investment analysts. Leaders in this space also run their own businesses according to ESG principles.

Strong internal cultures of sustainability drive continued innovation in the space. As best practices for ESG investing have developed in recent decades, these firms have stayed at the forefront by incorporating new research into investment strategies, promoting improved disclosures in portfolio companies, and collaborating with regulatory bodies as well as peers to grow the sustainable investing space. Investors can be confident that these firms have the internal frameworks to stay competitive in ESG investing strategies and that sustainability is genuinely integrated throughout the firm's culture rather than hastily constructed in an effort to catch up with growing demand.

Exhibit 10 Morningstar's Approach to Evaluating Philosophy & Process

	Low	Basic	Advanced	Leader
Philosophy	The firm is just getting started on its ESG journey. If there is an ESG investment policy, it is likely brief, focused primarily on governance, and/or recently established.	The firm has an ESG investment policy, but it is likely recently established and focused on mitigating ESG risks.	The firm's investment policy is comprehensive and includes consideration of all firm stakeholders. ESG may be a central principle of the firm's culture, but it has likely only become core in the past few years.	The firm's investment philosophy reflects a strong history of ESG investing practices. Policies go beyond ESG risk mitigation to capitalizing on ESG opportunities and driving impact. Sustainability is a core consideration for internal firm structure and all operations.
Process	Some portfolio managers consider ESG risks and opportunities. If the firm offers ESG-focused strategies, they may focus on one asset class or represent a small portion of the firm's total AUM.	ESG considerations are integrated in a substantial portion of assets, across several asset classes. ESG integration is recently formalized. The firm may have a plan to integrate sustainability across all asset classes, but it isn't there yet.	ESG integration covers a majority of the firm's assets and spans most asset classes and strategies. The process is systematic, but it may not apply to all strategies. The asset manager implements some firmwide exclusionary screens.	ESG risks and opportunities are systematically integrated across the full lineup of investment strategies. The firm has a clear policy on dynamic exclusionary screens and/or minimum ESG criteria for all strategies.

Source: Manager Research Analysts.

Resources

The Significance of Resources

Sustainable investing is complex and requires robust resources, in terms of people, data, and systems. There is no one-size-fits-all organizational structure. In some cases, having separate teams of ESG experts who provide support to investment teams makes sense. In other cases, ESG knowledge resides within investment teams. Regardless of the structure, having the right ESG expertise, reliable data, and adequate tools and systems in place are essential to good decision-making and investment success.

How Morningstar Analysts Evaluate Resources

Of the three pillars that make up the Morningstar ESG Commitment Level for Asset Managers, Resources receives 30% of the overall score. The Resources pillar looks at the ESG data sources the firm uses, the ways in which the firm uses the data and ensures that it is propagated to research teams, and the extent and experience of firmwide ESG specialist resources and how they work with investment teams across the firm.

To assess these elements of a firm, Morningstar analysts consider a range of factors, including the expertise, size, and consistency of ESG specialist teams. We look at the level of collaboration between ESG specialists and investment teams, and we seek to understand how the ESG team fits within the broader organization. In many cases, a firm has separate teams dedicated to proxy voting and stewardship, ESG research in the investment process, and internal efforts around corporate sustainability and governance. Therefore, it is important to understand the extent of overlap and coordination between these teams. We evaluate the relative level of ESG knowledge for all portfolio managers and researchers, and we examine the role ESG integration plays in compensation incentives.

The Resources pillar also examines the quality and quantity of ESG data, research, and analytics made available to investment teams. To evaluate these aspects of a firm, Morningstar analysts assess the extent to which ESG data is easily accessible and well-integrated in the investment team's research process. Over the past few years, many firms have developed proprietary frameworks for ESG research which draw on third-party research. We assess the amount of time this framework has been in place and how relevant it is to the firm's investment process for all asset classes.

An asset manager's Resources support and carry out the activities highlighted in the other pillars of the ESG Commitment Level. For example, full firmwide commitment to sustainability at all levels of the organization are reflective of a strong Philosophy & Process. ESG specialists may be responsible for ensuring the asset manager's investment offerings reflect the firm's approach to sustainable investing. Robust and innovative data support industry-leading transparency and disclosure efforts, and innovative analytics lead to improved reporting to investors. Furthermore, the firm's research drives the engagement agenda and Active Ownership efforts.

Best Practices

The asset managers who sit at the higher end of the spectrum boast well-staffed, well-integrated teams of ESG experts in addition to robust, effective ESG data and research. All investment professionals at the firm possess a certain level of proficiency in sustainability topics, and designated ESG specialists are committed to advancing ESG knowledge, both within the organization and for the industry at large. Many of the firms who earned Advanced or Leader have a centralized team of full-time ESG experts. However, when designating a separate team to specialize in sustainability research, it's important that firms ensure a high level of overlap and collaboration with portfolio managers. Teams that are siloed from one another are unlikely to achieve investment success.

While many firms choose to centralize ESG investing efforts on a specialized team, this is by no means the only worthwhile approach. Some firms have adopted a more holistic approach, opting to train all investment professionals on sustainability topics. In this approach, we see the strongest firms have carved out time and capacity for all investment professionals to integrate the ESG research into the process and to continue learning, as the field continues to evolve rapidly. In addition, the strongest examples of a more decentralized approach commonly pair this with strong risk management and oversight, ensuring that teams comply with the firm's guidance on integrating ESG criteria.

Firms that earn top marks on Resources empower their investment teams with robust, reliable ESG data and research. In recent years, the availability of data relevant to sustainable investing has skyrocketed, as has the number of third-party ESG data providers. However, this can present a challenge to investment teams because ESG data and ratings are often inconsistent from one data provider to the next.

For the strongest asset managers, access to multiple data sources is essential, but quality is more important than quantity. Therefore, each of these firms has developed a proprietary framework, typically drawing on primary and secondary research, to reach a house view of ESG risks and opportunities within the investment universe. This research is easily accessible to investment teams, and it is useful, such that adoption of this data by portfolio managers is strong. Furthermore, the strongest asset managers are committed to constantly improving upon the ESG research available to their teams, often by expanding it to different asset classes or adjusting the framework to incorporate new disclosure standards, objectives, or data points.

Exhibit 11 Morningstar's Approach to Evaluating Resources

	Low	Basic	Advanced	Leader
People	If the firm has designated ESG specialists on the research and investment teams, this is likely a new initiative for the firm, a small team compared with the broader organization, or only an auxiliary focus for these individuals.	Some portfolio managers demonstrate knowledge of sustainability topics, but the investment group may be siloed from the ESG specialist team. The firm may offer centralized sustainability training, but adoption throughout the firm is not widespread.	The firm has a well-resourced team of ESG specialists who collaborate regularly with investment teams. This group may be recently formalized, or it may still be expanding. Portfolio managers demonstrate some knowledge of sustainability topics. ESG is a component of compensation incentives for some, but not all, teams throughout the organization.	The firm has a stable, well-resourced team of ESG specialists who collaborate closely with investment teams. The ESG specialists demonstrate a high level of ESG expertise, and the firm is committed to ongoing training to stay at the forefront of sustainability research. In addition to developing insights for investment activities, this team produces industry-leading research on thematic sustainability topics. ESG is a key component of compensation incentives for all teams throughout the organization, underlining its importance to firm success.
Data	The firm has invested in some ESG research, but it is optional or not well-integrated in the investment process.	The firm has invested in third-party ESG research and data. These insights are readily available and well-integrated in most investment processes. The firm may build on third-party data with proprietary analysis.	Investment teams have ready access to multiple third-party ESG data sources. The firm has developed a robust proprietary framework for evaluating sustainability issues in most asset classes. This research is well-integrated throughout the investment process, and adoption by portfolio managers is strong.	The firm has developed a robust and innovative proprietary framework for evaluating sustainability issues. This framework is time-tested and spans all asset classes and investment mandates. This framework and investment teams may still draw on third-party ESG data, but in-house research is the primary driver of ESG insights.

Source: Manager Research Analysts.

Active Ownership

The Significance of Active Ownership

ESG investing takes a long-term view of value creation. ESG factors offer new investment opportunities, but they also present investment risks that transcend portfolios and extend beyond the typical horizon over which portfolio performance is measured. This requires that investors take a more active role in stewarding their investments toward sustainable business practices. Active ownership is therefore an essential component of an ESG investing strategy.

Active ownership refers to the direct influence that investors bring to bear through the exercise of control rights, primarily share ownership rights. Investment firms have a fiduciary responsibility to exercise control rights on behalf of their clients and beneficial investors in the strategies and products they offer. Through this influence, investment institutions can shape marketwide practices.

With the growth in fund investing over the past 30 years and the more recent rise in passive investing, asset managers have become powerful investors who hold a growing proportion of shares in public equities markets and a stronger influence over corporate governance practices via the votes represented by these holdings. Across the financial system, investors and regulators are focusing more attention on the stewardship, or active ownership, role of financial institutions. Regulatory developments and stewardship codes, global investor coalitions, and rising expectations of fund investors and institutional clients are shaping a new stewardship practice that emphasizes the fiduciary responsibility of asset managers to be stewards of capital markets.

Stewardship codes are the regulatory or industry-led principles that guide active ownership by investment fiduciaries. The new UK Stewardship Code 2020 recognized that “...*asset owners and asset managers play an important role as guardians of market integrity and in working to minimise systemic risks as well as being stewards of the investments in their portfolios.*”¹

For asset managers, stewardship is also becoming a differentiator in winning asset-management mandates with large asset owners like public pension funds. Asset owners are incorporating stewardship considerations into asset management mandates and manager selection. Fund investors are increasingly examining the sustainability aspects of investment products and are becoming aware of how ESG factors are channeled via active ownership.

Responding to client and investor demand and growing regulatory scrutiny, more and more asset managers are extending their stewardship reach across their portfolios and developing internal flags, milestones, and scoring mechanisms to track their engagements and exert the power of their vote over corporate governance practices. In so doing, active ownership is evolving as an investment practice to the point where it is now possible to compare and benchmark investment fiduciaries on the quality of their active ownership policies, activities, and reporting.

¹ Financial Reporting Council 2019. The U.K. Stewardship Code 2020. P. 4 https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Final2.pdf

Scope of Active Ownership Practices

Active ownership includes proxy voting, engagement, filing shareholder resolutions, and other forms of influence that investors can use as financial stakeholders. These can be used in combination as complementary strategies to manage investment risk, create and identify investment opportunities, and to strengthen the resilience of capital markets.

By voting on items that appear on corporate proxy ballots, shareholders can directly shape corporate governance practices—including the governance of environmental and social risks. Proxy voting can be used to support commonsense environmental and social measures proposed by other shareholders. It can be used as an escalation strategy where engagements, or dialogue, do not progress satisfactorily, triggering votes against strategically chosen management resolutions. It can also signal an asset manager's conviction that a specific issue is a material marketwide financial risk.

Many investors engage in a dialogue with investee companies. These interactions can take many forms, from letters to in-person meetings. Engagements are typically private, and asset managers may be reluctant to share the full details of discussions they have with corporate management if the relationship is ongoing. However, this makes it difficult to gain transparency into how effectively asset managers are engaging investee companies. Engagements are therefore becoming more structured, and stewardship codes emphasize the importance of reporting to investors on engagement progress.

Asset managers can amplify the impacts of their active ownership by collaborating with other investors. Several collaborative platforms support collective engagements, and investors are forming coalitions around ESG themes to coordinate shareholder resolution filing and engagements. These collaborations serve to amplify investor influence in dialogue with corporate management as well as to increase reach or scale for ESG shareholder campaigns.

Furthermore, asset managers, as powerful stakeholders in the economy, can represent the investor perspective in policymaking and standard setting. There are a growing number of investor-led initiatives that facilitate ESG-focused collective engagements and policy advocacy. These serve to pool resources, share efforts, and extend the reach and influence of investor members.

ESG Active Ownership Is Evolving Rapidly

Much of the momentum behind the global investment stewardship movement comes from rising public concern and a growing sense of political urgency about the climate crisis. More pointedly, since the Paris Agreement on climate, active ownership is viewed as an indispensable tool in shaping corporate behavior toward the global goal of net zero carbon emissions by 2050.

Many asset managers make climate reporting a central theme of their ESG engagements, and a growing number have joined collaborative engagements via the Climate Action 100+ investor coalition. This global collective of asset owners and asset managers, formed in 2017, now represents more than \$52

trillion in assets under management. Members commit to leading or participating in engagements with the world's largest greenhouse gas emitters, asking them to:

1. Implement a strong governance framework on climate change;
2. Take action to reduce greenhouse gas emissions across the value chain; and
3. Provide enhanced corporate disclosure.²

The collaborative model of engaging has also been applied to other ESG themes and is supported by investor-led initiatives like the UN PRI, the Interfaith Center for Corporate Responsibility, and The Investor Forum.

The events of 2020 focused investors' attention on a broader range of social factors like diversity and inclusion; workplace practices and worker treatment; racial economic inequality; and civil rights. Asset managers have pledged to improve diversity in their own workforces, which in turn attracts attention to their active ownership on diversity and inclusion and other social issues.

Asset managers applying their influence in order to effect change require a clear view of what sort of governance competencies equip portfolio companies and other investments to navigate new risk and opportunity landscapes. As a result, investment fiduciaries are increasingly supporting stakeholder-oriented approaches to corporate governance that require corporate leadership to articulate a corporate purpose that goes beyond profit. In 2019 the Business Roundtable released a statement from 181 CEOs committing to deliver value to all stakeholders³.

Morningstar's Approach to Evaluating Active Ownership

Active ownership is one of three pillars in how we evaluate an asset manager's ESG Commitment Level. It contributes 30% towards the overall evaluation and is made up of eight indicators that take into account an asset managers' policies, disclosures, and practices linked to proxy voting, engagement, policy advocacy, and collaborations with other investors to scale influence. We closely examine an asset manager's public disclosures as much of what constitutes active ownership is not easily observable. Disclosure is itself a form of influence. For instance, stated proxy voting and engagement policies both set expectations for investee companies and are an important signal to other investors. We examine voting records, ESG shareholder resolution filing activity, and evaluate contributions to collaborative investor-led initiatives. And we endeavor to understand in detail how active ownership is integrated across the investment process within the firm.

We take the view that investment stewardship should be guided by an overarching vision and strategy for change and that the components of active ownership - engagements, voting and other efforts should be outcome-oriented. Exhibit 12 summarizes typical observations for each of the three broad categories of considerations that comprise the active ownership pillar, at each Commitment Level.

² <https://www.climateaction100.org/approach/how-we-work/>

³ <https://opportunity.businessroundtable.org/ourcommitment/>

Exhibit 12 Morningstar's Approach to Evaluating Active Ownership

	Low	Basic	Advanced	Leader
Policy	No published policies guiding proxy voting, engagement, or other aspects of active ownership.	Proxy voting and engagement or stewardship policies are general and may address ESG in only a few broad categories.	Proxy voting and engagement or stewardship policies provide granular guidance and detail and may include discussion of important issues.	Detailed guidance plus investor briefs that further explain asset manager's position on key ESG themes.
Practice	Low proxy-voting support for key ESG resolutions. No ESG engagement or engagements primarily undertaken at the discretion and direction of portfolio managers with low level of involvement by ESG experts within the firm.	Proxy-voting support for key ESG resolutions around 30%-50%. Some degree of planning for ESG engagement, but unclear what is being asked of company. Low level of centralized coordination of proxy voting and engagement across strategies.	Evidence that the asset manager undertakes centralized planning of ESG engagements and proxy-voting strategies. Planning draws on expertise of stewardship team and proxy-voting committee.	Multistage engagements; Leading and/or contributing to collaborative engagements; Filing shareholder resolutions.
Transparency	Low or no disclosure of engagement and proxy-voting activities.	Engagements described but companies engaged are not identified; engagement case examples are described in broad terms.	At least annual reporting on both proxy-voting and engagement activities with detailed explanation of engagements and votes. Explanation of escalation strategy, where relevant.	Regular reporting on proxy voting and engagement. Full vote record and summary of votes posted on website. Vote rationales provided for ESG-driven votes against management. Engagement report contains detailed explanation of engagement process and offers illustrative case studies.

Source: Manager Research Analysts.

ASSET MANAGER ANALYSIS**Aberdeen Standard**

ESG Commitment Level: Basic

Standard Life Aberdeen was formed as a result of the merger between Standard Life and Aberdeen Asset Management that was completed in August 2017. With environmental, social, and governance integration on the table since the merger's early days, the firm has been on a respectable journey, resulting in a Morningstar ESG Commitment Level of Basic.

When it came to laying down the new entity's ESG framework, what was already in play from each firm was considered. Most notably, Aberdeen had a long heritage for high governance standards stemming from its equity franchises in emerging markets and Asia. At the same time, when it came to honing the investment process across asset classes, ESG was included in research templates as a lens through which any material risk should be taken into account. An ESG score is assigned based on an in-house matrix and backed by a wide set of external data. This helps guide fundamental analysis as well as highlight historic controversies.

The firm's ESG efforts are well supported by a centralised 20-strong ESG team. While there are a handful of recent junior hires, the most senior members each have more than 15 years' experience in their respective fields, while the remainder have over five years working in this sphere. Furthermore, ESG

investment analysts are embedded in asset classes and across most investment teams. That helps to share knowledge and keep on top of developments. Engagement sits in the hands of the portfolio managers, who, along with the analysts, are seen as knowing a company best. The ESG and investment stewardship teams are on-hand to provide guidance and equip portfolio managers with information, skills, and training. They can also join engagement meetings, but that's not a prerequisite. In the event of voting against a resolution at a shareholder meeting, the reason is laid out on Aberdeen's website.

The trials and tribulations of a merger are never simple, yet the ESG side is in reasonable shape. That said, the firm, which is the largest active asset manager in the United Kingdom, has yet to drive any shareholder resolutions. Additionally, compensation for fund managers doesn't have an explicit element linked to how they approach ESG factors. Despite the firm's view that ESG issues are considered holistically within the investment process, a more direct link would help provide a clearer layer of oversight.

By Jonathan Miller

Affirmative Investment Management

ESG Commitment Level: Leader

Affirmative Investment Management's sole commitment to sustainable fixed-income investing and achieving a broader impact supports a Morningstar ESG Commitment Level of Leader.

Formed in 2014, AIM is early in its investment journey, but its environmental, social, and governance endeavours are well-advanced. Responsible investing is integral to everything AIM does. The firm's mission is to manage fixed-income portfolios that generate both financial returns as well as meaningful and positive environmental and social impact. All strategies are managed with a sustainability focus in support of the Paris Agreement and the UN Sustainable Development Goals. AIM has a proprietary Spectrum framework, which is core to its investment process and incorporates a sustainability assessment into bond evaluation. Its ESG-focused process is integrated firmwide and is an approach we consider to be an ESG best practice amongst fixed-income managers.

AIM's commitment to sustainable investment extends to its level of resourcing, as the boutique manager has a seven-person dedicated sustainability team. These ESG and impact specialists, who have extensive experience in sustainability investing, work in tandem with the firm's credit and portfolio management teams. All utilise their impact database, 'ARCH', which was developed internally and encompasses all sustainability and credit analysis. This analysis incorporates third-party ESG data, in addition to in-house insights, with preference for the most granular data available.

AIM also earns a higher ESG standing above other asset managers when it comes to active ownership. Annual impact reports are the centrepiece, detailing the financial, environmental, and social impact across all portfolios. This ensures ongoing monitoring and data review, as well as impact verification of alignment to UN SDGs. AIM's engagement policy is committed to ESG issues, actively collaborating with

global sustainability experts to support collective action along with involvement in several ESG-related associations. This activity also includes market initiatives with working groups to facilitate the development of the impact bond market.

By Chris Tate

Allianz Global Investors

ESG Commitment Level: Basic

Allianz Global Investors' environmental, social, and governance efforts have picked up speed, but it will take more time to fully embed ESG factors. It earns a Morningstar ESG Commitment Level of Basic.

The firm was among the earliest signatories to the UN Principles for Responsible Investment, but it was not until 2017 that ESG efforts were really ramped up with the build-out of a central ESG team, which now counts 26 experienced professionals, and the broad dissemination of ESG data and research to all investment teams through the firm's global research platform.

The firm's share of assets that incorporate ESG considerations has grown in recent years, though it was still quite limited at the end of 2020, accounting for 27% (ESG-integrated) and 8.5% (ESG-focused) of its EUR 582 billion in assets under management. Through product conversions, ESG-focused fund assets have more than doubled to 19% as of March 2021.

While ESG issues have started playing a bigger role in analysts' daily workflow and portfolio managers' investment decisions, outside of ESG-focused strategies, they retain discretion to invest in ESG laggards, and the firm is still building out its monitoring process, with an ESG risk reporting system implemented only recently.

The firm is in the process of updating its proxy-voting guidelines, which could be more detailed in relation to environmental and social issues. Nonetheless, AllianzGI has one of the highest proportions of votes in favor of ESG-related shareholder proposals among its peers. The firm publishes voting decisions, including rationales for key resolutions, on its website, but it does not publicly disclose fund-level ESG metrics.

Regarding engagement, the firm's approach is still evolving when it comes to defining specific targets, milestones, and timelines, against which engagement progress can be measured. It is also looking to enhance its engagement reporting, which will be structured around three newly defined core topics: climate, planetary boundaries, and inclusive capitalism.

By Natalia Wolfstetter

Amundi

ESG Commitment Level: Advanced

Since announcing a key sustainability initiative in 2018, Amundi has invested in state-of-the-art environmental, social, and governance tools and data, and incorporated ESG criteria across most of its range, earning it a Morningstar ESG Commitment Level of Advanced.

In 2018, Amundi made headlines when it announced that it would apply ESG criteria to its entire range, including active and passive funds “wherever technically possible” by the end of 2021. The firm has so far made significant progress towards that goal. It has built a sophisticated proprietary ESG rating based on third-party data and supplemented it with its own qualitative ESG assessment for a subset of its largest holdings. Amundi has also excluded ESG worst-offenders across its entire range, and almost all of its active open-end vehicles are now expected to maintain an average ESG rating above that of their respective market benchmark. As of February 2021, 60% of the firm’s mutual fund assets were classified as Article 8 or Article 9 under the SFDR regulation. That’s no mean feat given Amundi’s plethora of fund range, which spans the continuum of all major asset classes but also includes sectors of the market where third-party ESG data and methodologies are not always readily available, like small caps, emerging markets, or junk bonds. Despite these advances, the firm is held back somewhat by instability in its ranks of ESG specialists. Its head of responsible investments, Stanislas Pottier, who had been named in 2018, was replaced by Elodie Laugel in mid-2020. The team of ESG analysts, engagement specialists, and ESG methodology experts also experienced significant turnover, and its 35 current members, while decently experienced, only average two years of tenure in the ESG team.

Finally, while Amundi’s proxy-voting policies are well aligned with environmental and social best practices, the firm’s engagement effort is somewhat less encompassing. The majority of its engagements across holdings consist of one-off interactions, and only a small subset, around 30 to 50 companies, is targeted for in-depth continuous engagement. A disclosure of voting rationales, which the firm plans to introduce later this year, would also improve the firm’s standing as a leader in ESG practices.

By Mara Dobrescu

Antipodes Partners

ESG Commitment Level: Low

While Antipodes Partners has begun to adopt greater ESG practices in recent years, it is still early on in its ESG journey relative to peers. Currently, the firm earns a Morningstar ESG Commitment Level of Low.

Established in 2015, Antipodes Partners is a relatively young firm. Its initial years were predominantly focused on the build-out of the fundamental investment process and team. It is self-styled as a ‘pragmatic value’ manager, and the global and Asian equities strategies seek to invest in mispriced securities that exhibit favourable growth and quality characteristics. The investment universe is

intentionally broad, maximising the opportunity to exploit market inefficiencies, and the team is unafraid to invest in out of favour, low ESG areas such as energy. The only firmwide exclusion is tobacco, which is standard for Australia-domiciled managers.

As the firm has matured, it has taken steps toward greater ESG incorporation. It began formally incorporating third-party ESG scores into its process in 2017, and in 2020 it both became a signatory of the UN PRI and appointed analyst Owen Scarrott to an ESG specialist role embedded in the investment team. However, to keep pace with an evolving market, more needs to be done. The breadth of Antipodes' opportunity set warrants a larger ESG specialist team, and the firm needs to develop stronger ESG objectives if it wants to demonstrate greater commitment here. Transparency is also lacking relative to global peers, although this is not unusual among Australian managers. Antipodes needs to make its proxy voting, corporate engagement, and portfolio ESG metrics more readily and publicly available as proof of its ESG commitment. Overall, the firm has made some positive initial steps, but more needs to be done.

By Michael Malseed

Ariel Investments

ESG Commitment Level: Low

While elements of environmental, social, and governance investing have been a part of Ariel's culture for years, its formal ESG efforts are relatively new and absent from the firm's international strategies. It receives a Morningstar ESG Commitment Level of Low.

Ariel has developed an adequate ESG framework for its U.S.-focused strategies, which directly affect valuation estimates. Those efforts are still nascent, though, as the firm began publishing company-specific ESG reports in 2017, a few years after it hired its director of ESG research, and only in 2020 did it start to incorporate proprietary ESG risk ratings in fundamental models. Fundamental research analysts assess ESG risks alongside Ariel's three-member ESG team. Although two of those ESG team members are recent hires, their workloads aren't stretched too thin as the firm offers only a handful of strategies that share many of the same holdings.

Ariel's ESG philosophy centers around financial materiality, but its efforts on diversity, equity, and inclusion resonate more deeply. As a minority-owned firm, Ariel has long been a leader in advocating for better corporate diversity practices. It regularly engages with companies to add directors from diverse backgrounds, has founded and sponsored organizations that advocate for inclusive governance policies, and is vocal in the press and political circles. However, such engagement efforts are not as apparent on other ESG matters, such as the environment.

International strategies, which comprise the majority of the firm's roughly USD 16 billion in assets, do not share the same ESG policies and procedures as its U.S.-focused funds, which we see as a major pain

point. The firm could also do better to improve disclosure of its funds' ESG characteristics and provide more detailed proxy-voting guidelines and voting history.

By Adam Sabban

Baird

ESG Commitment Level: Low

Baird does not aim to be an environmental-, social-, and governance-focused manager. Its rudimentary efforts in the field support a Morningstar ESG Commitment Level of Low.

ESG is, at best, a peripheral consideration for the firm. Baird does not have a distinct ESG research or engagement team and publishes next to no materials on the subject. With the exception of funds investing along Catholic principles, the firm does not offer any ESG-intentional strategies. ESG considerations, backed by data streams from a handful of providers including ISS and Bloomberg, do play a part in how the research team evaluates issuers, but only if ESG material issues have a direct impact upon the cash flows or creditworthiness of the issuer. There are no ESG-specific targets against which the portfolio managers run their portfolios, nor do distinct ESG metrics factor into their (or the broader analyst team's) performance reviews or compensation. Furthermore, the work of maintaining these ESG resources falls upon the shoulders of analysts and portfolio managers who already have traditional investing responsibilities to attend to, making ESG integration a secondary objective.

Partially owing to approximately 95% of the firm's assets under management being invested in fixed-income assets, Baird's proxy-voting and engagement efforts are very limited. While the firm has a proxy-voting policy, the fixed-income team rarely invests in issues with voting rights and does not have an ESG-linked engagement policy, limiting the team's contact with issuers to traditional price discovery and due-diligence matters. The equity team does appear to have an active ESG-linked voting record, but its small footprint limits its impact on the firm's overall efforts. Finally, Baird does not formally link itself to any widespread investor advocacy groups, nor has it signed on to the UN Principles of Responsible Investing.

By Gabriel Denis

Bell Asset Management

ESG Commitment Level: Basic

Bell Asset Management has a number of positive environmental, social, and governance features driven by a team that is engaged at multiple levels; however, when compared against more-advanced offshore counterparts, its policies, disclosures, and reporting on ESG matters have room for improvement. This results in a Morningstar ESG Commitment Level of Basic.

Founded in 1997 with a pedigree in institutional investment management, Bell Asset Management has encompassed ESG into its firmwide philosophy for longer than most Australia-domiciled global equities peers. With an investment process focused on quality, ESG factors are a key component, alongside more-traditional financial metrics such as profitability and return on equity. The firm also has an exclusions list that includes tobacco, cluster munitions, pornography, uranium, and coal. As a boutique with around AUD 2.6 billion in assets under management, Bell doesn't have the extensive, dedicated ESG resources of larger firms, but the small team still punches above its weight on ESG matters. One of the team's seven analysts is an ESG specialist, and the portfolio managers are actively involved in ESG assessment and monitoring. Corporate engagement on ESG matters is extensive, and the firm's proxy-voting record on ESG resolutions is strong.

What holds back Bell Asset Management from a higher ESG Commitment Level is the limited detail contained in its public ESG policy, portfolio, and voting disclosures. While better than many locally domiciled counterparts, offshore peers, particularly in Europe, set a higher bar. Overall, the firm's ESG foundations are solid, but more is required in what is an evolving landscape.

By Michael Malseed

BNP Paribas Asset Management

ESG Commitment Level: Advanced

BNP Paribas Asset Management has made significant efforts to put responsible investing at the core of its culture in recent years. Its sustainability approach centers around a comprehensive environmental, social, and governance framework that covers all the bases, from firmwide exclusions and ESG integration to thoughtful active ownership practices. The group has achieved high-standard results in certain areas, but work still needs to be done, which warrants a Morningstar ESG Commitment Level of Advanced.

BNP Paribas AM started its ESG journey long ago: It was a founding member of the UN Principles for Responsible Investment initiative launched in 2006, and it offered its first socially responsible investment funds in the early 2000s. However, the asset manager noticeably stepped up its commitment in late 2017, when it initiated an overhaul of its responsible investment apparatus. The firm bolstered its dedicated sustainability team to 23 specialists who act as a focal point for ESG research, proxy voting, and engagement.

BNP Paribas AM also multiplied the number of external ESG data sources in recent years, which helped it develop a proprietary ESG scoring and an innovative carbon footprint measurement model. Both tools are used by fund managers across the firm to inform their investment decisions and ensure their portfolios maintain a better carbon-intensity profile than their respective benchmarks.

As of December 2020, close to 70% of the firm's total assets under management applied some level of ESG integration. The firm's stringent exclusion policy—which automatically excludes companies

involved in questionable activities (such as coal or asbestos) and those violating the United Nations Global Compact principles—are also applied across its fund range. Meanwhile, BNP Paribas AM has well-defined proxy-voting policies and transparent reporting. The reasons behind its votes on key ESG shareholder proposals are clearly accounted for, albeit not at the fund level. The firm engages regularly with policymakers and actively contributes to myriad collaborative engagement initiatives that are closely monitored, though more company-specific and tangible engagement targets would be beneficial here.

By Samiya Jmili

Columbia Threadneedle

ESG Commitment Level: Basic

Columbia Threadneedle's effort to integrate environmental, social, and governance considerations is still a work in progress; more time and efforts are needed to expand the impact of sustainability criteria beyond the limited number of ESG-focused strategies. The firm earns a Morningstar ESG Commitment Level of Basic.

Columbia Threadneedle has raised sustainable investing up to one of its top corporate priorities. Demonstrated progress in integrating the company's growing ESG resources into its global fundamental research platform is encouraging. The firm built on Threadneedle Asset Management's experience as a founding signatory of the UN Principles for Responsible Investment and its responsible investing team created in 1998. This team, which now counts 15 experienced professionals divided between thematic research and investment stewardship (company engagement and proxy voting), is fully integrated into the firm's global research platform. A strong flow of third-party data from multiple providers as well as a suite of proprietary tools including dedicated ESG portfolio monitoring, ratings, screeners, and dashboards, are available to every investment professional across the firm.

However, integration of ESG factors has yet to be deployed beyond the research process and across a higher number of strategies. ESG-focused strategies represent a mere 6% of the company's half-trillion dollars in assets under management. As such, the vast majority of the firm's products is run by managers with full latitude to integrate or not integrate ESG criteria into their investment decisions.

When it comes to proxy voting, Columbia Threadneedle has structured policies in place and a strong record of voting in support of key climate and social justice resolutions. On the ESG engagement side, the firm's approach is developing in the right direction, building on a dedicated team integrated into the global research group. However, it is still in its early stages. We note that the overall engagement strategy is missing specific stated goals in terms of outcomes against which the effectiveness of engagements can be measured.

While the deal is not expected to close before the end of 2021, we see Columbia's acquisition of BMO GAM's European business, including its ESG capabilities, as a signal of the company's growing commitment to sustainable investing.

By Benjamin Joseph

Fidelity International

ESG Commitment Level: Basic

Fidelity International, or FIL, has put environmental, social, and governance investing at the forefront of its agenda and has made positive strides, but it would need to go further for a higher assessment. It earns a Morningstar ESG Commitment Level of Basic.

Under the guidance of senior management, many of whom have joined FIL in only the past two to three years, all areas of the business have increased their focus on ESG. While there has been some basic form of ESG integration across the firm for many years, it has only recently become formalised and more significant, aided by the development of a proprietary ESG scoring system in 2019. That system combines data from external sources with insights and input from FIL's vast bank of analysts, and it leverages the firm's resources well. Analyst remuneration is partially linked to ESG factors, but this is not the case for portfolio managers. Although portfolio managers are challenged on ESG issues in their quarterly reviews, they are not necessarily precluded from having a low portfolio sustainability score or holding poor ESG performers.

The ESG tool is curated by the central sustainability team, which numbered 13 as of January 2020. The team could be bigger given the overall size of the business it serves, but it is continually growing. There is a wide range of experience on the team, with some members having over 10 years' experience in the space. The team is also responsible for coordinating engagement and proxy voting, alongside input from the investment teams. The engagement programme is commendable and is based on the ESG themes identified as most important, but it can also focus on arising controversies. FIL is also a member of many investor coalitions and has co-led some shareholder resolutions. Proxy-voting guidelines were updated in April 2021 and are a significant improvement on the previous edition, especially in relation to guidelines on the environment. On another positive note, the firm often votes in favour of ESG shareholder resolutions.

FIL produces materials related to ESG, including short and in-depth research, engagement reports, and voting records, though reasons for votes against are not currently given. Fund-level ESG information is also currently limited.

By Bhavik Parekh

Franklin Templeton

ESG Commitment Level: Low

Franklin Templeton is forming new high-level plans to address environmental, social, and governance issues. The firm earns a Morningstar ESG Commitment Level of Low.

Franklin formally started its sustainable investing journey in 2013 when it signed the UN Principles for Responsible Investment and Julie Moret became the head of the centralized ESG team, which would eventually count a few dedicated analysts. That said, the firm has recently made some changes and appears to be forging its overall ESG philosophy against the backdrop of its 2020 acquisition of Legg Mason, which included several autonomous investment boutiques. The firm created a new stewardship and sustainability council in mid-March 2021 that will set a common research agenda in addition to tackling data requirements, transparency, and reporting for the firm's 19 distinct investment teams.

David Sheasby, head of stewardship and ESG at affiliate Martin Currie since 2015, and David Zahn, head of European fixed income within Franklin Templeton's fixed-income group, are leading the council. They plan to add one member to the council from each of the affiliates; replace Moret, who recently departed; and add another dedicated ESG analyst to this small, dedicated team. In the near term, the council is focusing on amalgamating ESG information and making it more easily available to the teams. The dedicated ESG team will continue its mission to help each affiliate build out custom ESG models and frameworks, though portfolio managers are free to use this information as they see fit and there is no formal system for reporting how they use the data to the ESG team.

Franklin has mostly used a light touch when it comes to ESG and engagement issues, though the council may work toward more central guidance and tracking on engagement and proxy voting. While some investment boutiques, including Martin Currie, are further along in integrating ESG into their investment processes, Franklin overall remains in the early stages relative to competitors.

By Karin Anderson

Fundsmith

ESG Commitment Level: Low

Fundsmith, while displaying strong traditional governance capabilities across the firm, has not adopted a wider environmental, social, and governance stance, earning a Morningstar ESG Commitment Level of Low.

The relatively young firm, founded by Terry Smith in 2010, has adopted a sustainability mindset from its inception. Sustainability, however, in the context of Fundsmith, relates to the ability of businesses to sustain high returns on the capital that investors have provided them. While ESG issues are incorporated into the investment process, the focus is put on governance, which relates primarily to traditional

aspects, such as business strategy and product innovation and does not translate to the level of environmental and social engagement.

The firm offers a sustainable mandate, but this primarily adopts a negative screen rather than actively seeking out ESG criteria. The strategy also has a small impact on the firmwide ESG assessment, given it constitutes less than 2% of assets under management.

Fundsmith's ESG efforts are limited compared with peers'. The firm is considering hiring an additional stewardship analyst, which will bring the number of dedicated ESG analysts up to two. The ESG team, headed by Tom Boles (who maintains additional responsibilities), will be releasing additional ESG metrics sometime in 2021; this will serve as the litmus test of the firm's detailed reporting efforts. Fundsmith is a signatory of the UN PRI but is not affiliated with any other ESG-related bodies or groups. It prefers not to take a vocal stance so is not considered an ESG advocate.

While its long-term investing approach and focus on high-quality businesses have served investors well in terms of financial performance, Fundsmith has a long way to go on the wider ESG perspectives. A greater commitment to ESG would include emphasis on the environmental and social aspects of ESG and governance issues extended.

By Robert Starkey

Goldman Sachs Asset Management

ESG Commitment Level: Basic

Goldman Sachs Asset Management has been growing its resources to support its environmental, social, and governance efforts and shown notable improvement in its active ownership practices, resulting in a Morningstar ESG Commitment Level of Basic.

GSAM signed the UN Principles for Responsible Investment at the end of 2011, well ahead of many U.S. asset managers, and it has done credible work to incorporate ESG data into its systems. For instance, the firm maintains a large database of all internal and external ESG research that its investment professionals can readily tap, and it developed robust proprietary tools that portfolio managers can use to monitor ESG metrics.

For the most part, investment teams analyze ESG data from the bottom up, alongside traditional financial data, and have full autonomy to use it as deemed appropriate. While each of the teams incorporates ESG considerations at varying degrees, the firm also offers a handful of ESG-focused funds, which represent about 10% of total fund assets.

Unlike many peers, GSAM does not have a large central ESG investment team. Rather, about 40 investment professionals dedicate part of their time to ESG research, and the firm intends to continue growing this group over time. Some of the 40 team members have a clear emphasis on ESG analysis,

while others appear to spend considerable time on other duties. Most of these individuals joined GSAM within the past three years, and team turnover has been higher than that of many peers.

The firm boasts detailed ESG proxy-voting guidelines, which it strengthened in April 2021 during its annual policy update. Notably, the firm bolstered its stance on gender and racial diversity on firms' boards of directors and added language to encourage companies to disclose climate-related data. On the disclosure front, GSAM has also made progress by committing to disclose its votes publicly on a quarterly basis, up from annually. Investors can find highlights of its corporate engagement activities in the firm's 2020 annual stewardship report. However, the report covers activities only up to June 2020, and case studies provided don't go into much detail. While many of GSAM's peers have now joined the Climate Action 100+ collaborative investor engagement initiative, the firm has yet to do so.

By Leo Acheson

HSBC Global Asset Management

ESG Commitment Level: Advanced

Under the direction of its new leadership, HSBC GAM has made strides in environmental, social, and governance integration and has consolidated an already impressive active ownership effort. While HSBC GAM's ESG integration effort is still relatively recent, the firm has already achieved more-tangible objectives than several of its industry peers. The firm's exemplary proxy voting and engagement activities also support its Morningstar ESG Commitment Level of Advanced.

The firm has been a signatory to the UN Principles for Responsible Investment since 2006, but its ESG efforts have mostly taken off over the past three years, as CEO Nicolas Moreau and Joanna Munro have invested heavily in a dedicated and experienced ESG team, formally tied portfolio managers' bonuses to ESG goals, and formalized an ambitious ESG product development pipeline (for both active and passive offerings). While some other firms have hired aggressively but have then struggled to retain talent, HSBC GAM's 24 ESG analysts and engagement specialists have been stable, with only one departure over the past three years. Meanwhile, the firm has also audited its traditional fund range (which composed 98% of its assets as of December 2020) to verify that the incorporation of ESG risks and opportunities is appropriately and extensively documented in stock and credit write-ups. There are, however, no firmwide company or sector exclusions, nor a minimum ESG rating standard applied across the board, as investment teams retain ultimate discretion on the ESG integration framework they deem most relevant to their approach.

The firm's active ownership efforts are topnotch, with quasi-systematic votes in favor of ESG-related resolutions and detailed engagement roadmaps that hold companies accountable on their environmental and social practices. HSBC GAM, a Climate Action 100+ co-founder, has also co-filed several prominent shareholder resolutions and has sponsored significant policy initiatives addressing climate change. The firm, however, does not currently disclose the full rationale for its votes on its

website. Another area of improvement is its disclosure of portfolio-level ESG metrics which, though comprehensive, are currently only available for the firm's range of intentional ESG funds.

By Mara Dobrescu

Invesco

ESG Commitment Level: Basic

Invesco has grown its environmental, social, and governance efforts substantially in recent years, though it is still a work in progress and has evolved further in some areas than others. It receives a Morningstar ESG Commitment Level of Basic.

Invesco had a modest ESG effort in place for years, but it took an important step toward developing a robust ESG program in 2019 when it named Cathrine de Coninck-Lopez as global head of ESG. Bringing with her more than 12 years of experience in sustainability, De Coninck-Lopez leads a team of 13, while other personnel around the world also have certain ESG responsibilities in their region. The members of the ESG team are well-qualified, but the team's size is not that substantial, considering that Invesco manages more than \$1 trillion in both active and passive strategies.

Besides the ESG-specific funds it already offers, Invesco's goal is to incorporate ESG capability into every strategy in every asset class. It concedes that, while that process has already taken place with some investment teams, in others it will take longer, with 2023 targeted as the date the integration should be fully in place. That said, all fixed-income analysts are already expected to incorporate ESG ideas into their reports.

In evaluating companies, Invesco uses a variety of sources as well as its own internal research, and the result is an internal resource called ESGintel that provides detailed descriptions, analysis, and opinions of the ESG characteristics of all companies in Invesco's investment universe. Invesco does not have a firmwide list of excluded companies, arguing that allowing a diversity of approaches to that topic among its many teams in different parts of the globe is more appropriate.

On the proxy-voting front, Invesco is moving from a decentralized approach that currently allows each investment team to make its own decisions. The firm is in the process of establishing more global directives, whereby teams that wish to vote differently from Invesco's global guidance must then present compelling reasons for that decision. The new system should allow the firm's votes to have more clout with companies.

By Gregg Wolper

Janus Henderson

ESG Commitment Level: Low

Environmental, social, and governance issues are not a central part of Janus Henderson's investment culture. The firm earns a Morningstar ESG Commitment Level of Low.

Despite being an early signatory of the UN Principles for Responsible Investment in 2006, the firm has just begun ramping up its ESG efforts in recent years. Its London-based governance and responsible investing team has now grown to seven members. All but two joined in the past couple of years, with global head of ESG Paul LaCoursiere joining the firm in January 2021. The group subscribes to multiple ESG data sources and supplements those with in-house research, all of which is made available to investment managers through the firm's eQuantum platform. Investment teams can also draw on LaCoursiere's team for corporate engagements and ad-hoc projects, the bulk of which focus more on traditional governance concerns rather than environmental and social issues.

As a bottom-up, fundamental management firm, Janus Henderson doesn't mandate a firmwide view on ESG and its systematic incorporation into investment strategies. Instead, it takes a more decentralized approach. ESG integration is left to the discretion of individual investment teams to the extent they find it supportive of good, long-term outcomes for clients. Many portfolio managers do indeed factor ESG considerations into their investment decisions, but to varying degrees and not uniformly across the firm. Doing so is not required, and ESG integration is not tied to compensation for non-ESG-focused strategies. Furthermore, there are no firmwide exclusions.

Overall, Janus Henderson's philosophy toward ESG is consistent with how the firm operates as investors. ESG issues are considered but to varying degrees across investment team.

By Eric Schultz

JPMorgan

ESG Commitment Level: Basic

This is an earnest but nascent effort, earning JPMorgan Asset Management a Morningstar ESG Commitment Level of Basic.

Rather than impose a broad environmental, social, and governance investing framework over existing investment processes, the firm argues that meaningful ESG integration is a bottom-up proposal that happens at the security level. While this approach theoretically places ESG considerations alongside more traditional valuation inputs, it remains difficult to assess the true depth and intensity of its application.

A UN Principles for Responsible Investment signatory since 2007, the firm has a history of developing proprietary ESG tools. For example, in a 2013 effort to better understand the risks of investing in

emerging-markets equities, analysts created a fundamental ESG-focused checklist. By 2021, that project evolved into a 40-question ESG checklist that is applied to corporate entities across the capital structure. Yet the firm invests in plenty of securities that require a more customized approach, such as municipal and securitized debt, illustrating continued challenges to simply broadening the use of existing tools.

More than standardized checklists are in the works, too. Jennifer Wu was appointed in 2019 to coordinate the firm's sustainable investing efforts. She is in charge of the sustainable investment leadership team, a group of around 90 senior leaders who advocate for thoughtful integration of ESG considerations into all investment processes. A subset of that group monitors the firm's ESG-focused strategies (which account for 3% of assets under advisement). Wu's dedicated 17-person sustainable-investing cohort, expected to roughly double in size over the coming year, faces a formidable set of tasks. This fresh set of ESG collaborators—responsible for standardizing existing frameworks and employing 22 external ESG-focused data sources into existing quantitative models—have yet to build a record of influence.

Throughout 2020, the firm's stewardship team undertook 500 engagements across 96 companies and has laid out a prioritization, progress, and escalation process. Historically, JPMorgan Asset Management's proxy-voting support for ESG issues has been low. However, in 2020, the firm more often than not favored key ESG resolutions, and this record is publicly available on its website. Timely reporting on engagements undertaken in 2020 was provided in the firm's March 2021 annual stewardship report. The firm joined the Climate Action 100+ Investor Initiative in January 2020, committing to lead at least one engagement with a heavy-emitting company on behalf of the initiative's investors. This is a positive development, but more commitment is required in light of net-zero commitments made in November 2020 by JPMorgan Asset Management's parent, JPMorgan Chase. JPMorgan's banking arm was named the largest fossil fuel lender in the world in the Rainforest Action Network's "Banking on Climate Chaos 2021" report—an annual survey of institutional lending to the fossil fuel industry.

By Emory Zink

Jupiter

ESG Commitment Level: Advanced

Jupiter is on a good trajectory with its environmental, social, and governance incorporation, and some aspects have been long embedded into the firm's culture. Its active company engagement policy and transparency are key strengths. However, progress in further developing its proprietary ESG system and reporting on fund-level ESG metrics would be welcome. It earns a Morningstar ESG Commitment Level of Advanced.

Jupiter has been involved in ESG incorporation for several years. It has been a UN PRI signatory since 2008 and a member of several stewardship, engagement, and climate initiatives, including its recent commitment to net-zero emissions by 2050 and the UN Global Compact principles. The firm has a team

of nine experienced ESG-dedicated professionals who work closely with fund managers on ESG integration and engagement. The team is expected to grow further in 2021.

Jupiter has an active engagement policy with a well-defined escalation process. Engagement is led by fund managers who work closely with the ESG team on integration, engagement, and proxy voting. The firm is serious about its portfolio managers incorporating ESG in their decisions as ESG integration and engagement activity are part of their annual appraisals. The group has been actively supporting ESG shareholder resolutions and provides monthly transparency on its global voting records.

Firmwide exclusions are limited to controversial weapons. Companies that might typically be excluded by other houses can be deemed investable, as long as these companies have a clear sustainability agenda. Fund managers collaborate with them to improve their ESG trajectory.

Jupiter's main ESG IT tool is called "ESG Hub," an online proprietary database the firm started developing a couple of years ago. It connects third-party ESG data to portfolios and provides information on securities, portfolios, and engagement activities. It allows fund managers to access ESG risk data across portfolios and individual securities efficiently and is also used by Jupiter's senior management to oversee the ESG activities of fund managers. The scope of this hub is still evolving, and further development of ESG-related reporting across all funds is still a work in progress.

By Evangelia Gkeka

Legal & General IM (LGIM)

ESG Commitment Level: Advanced

LGIM has positioned itself as a sustainability champion, particularly in the area of investment stewardship, warranting a Morningstar ESG Commitment Level of Advanced.

ESG is integrated into the investment process where possible, but the large portion of firm assets managed passively limits the firmwide impact of these measures. For example, while the company operates a companywide sustainable exclusions list, this is not relevant for most passive funds, which are designed to track traditional benchmarks and are therefore exempt from these restrictions.

This puts the focus on the value of active ownership, and this is an area where LGIM is ahead of peers. LGIM has long made voting and engagement core components of its investment approach and continues to set best practice standards in this area. The deeply experienced 16-strong stewardship team operates a structured, centralised process for engaging with portfolio companies and voting. The firm is fully transparent on its engagement practices and publishes a regular leaders and laggards list of portfolio companies.

LGIM has added the personnel and infrastructure needed to ensure that ESG is integrated throughout the firm. In addition to the stewardship team, experienced ESG experts are embedded across the

organisation, including positions at the highest levels. The firm has recently made a public net-zero emissions commitment and announced that executive pay will be linked to climate targets.

LGIM draws on a wide range of external data sources to calculate its proprietary ESG scores. These scores and other qualitative sustainable content are disseminated throughout the firm via the Active ESG View tool, which was developed in-house. Another area where LGIM scores well is in disclosure. The firm regularly posts educational and thought-leadership material, provides detailed quarterly updates on engagements, and is transparent on voting records, although it doesn't publicly disclose ESG metrics on all of its funds yet.

By Kenneth Lamont

M.D. Sass

ESG Commitment Level: Low

M.D. Sass' environmental, social, and governance integration efforts are nil, supporting a Morningstar ESG Commitment Level of Low.

The boutique firm manages roughly \$6 billion in assets, with a large portion committed to private equity. M.D. Sass' offering is primarily composed of value-oriented equity strategies and niche agency mortgage-focused fixed-income strategies. The firm does not offer ESG-focused strategies, does not have dedicated ESG investment professionals, and does not materially integrate ESG data into its research or its investment processes. Finally, M.D. Sass' proxy-voting policy is not especially supportive of ESG resolutions, and corporates are not engaged in the pursuit of ESG objectives.

By Supreet Grewal

Magellan Asset Management

ESG Commitment Level: Low

Magellan Asset Management has a robust environmental, social, and governance focus on governance matters, specifically, but lacks active ownership transparency and disclosure. It earns a Morningstar ESG Commitment Level of Low.

To execute on its investment objectives, Magellan incorporates analysis of ESG factors that affect the agency and business risk of companies. The philosophical approach is to assess all risk factors, measuring the materiality of ESG (and other) risks to forecast cash flows and valuations, in turn influencing the quality score of an individual company. This approach to material risk spans over a decade, as Magellan has incorporated sustainability into global and US equity strategies for institutional investors over this time. It also launched the ESG Core fund and Magellan Sustainable fund in late 2020—both available to retail investors. While the focus on governance impacts to investment

outcomes is sensible, this pragmatic approach requires advancements in environmental and social areas to be considered on a higher ESG-standing relative to peers.

Magellan's ESG resources rest predominantly with its 31-strong investment team. These analysts have primary responsibility for analysing the ESG risks of a company to be approved for their quality-focused investment universe. Head of ESG Domenico Giuliano is charged with formulation and execution of the firm's ESG philosophy and is the portfolio manager of the Magellan Sustainable strategy. Elisa Di Marco assists across all ESG areas, including serving as lead portfolio manager for the ESG Core fund. To assist in the assessment of ESG risks, analysts access data and information on ESG issues relevant to companies from a variety of internal and external sources. The two-person dedicated ESG team is small relative to the firm's AUD 100 billion in assets under management, however.

In addition to voting proxies, the firm's active ownership activities include engagement. Magellan engages with portfolio companies on a broad range of issues, including ESG-related issues, but does not currently disclose any engagement activities. It does maintain proxy-voting records and statistics on its engagement with companies, however. This absence of transparency makes it difficult to discern the extent and impact of these activities and hampers Magellan's ability to earn a higher ESG Commitment Level.

By Chris Tate

Mellon Investments

ESG Commitment Level: Low

Mellon has taken strides to incorporate environmental, social, and governance considerations since its formation in 2018, but many of these efforts are in their early stages or not yet fully formalized. It earns a Morningstar ESG Commitment Level of Low.

Mellon Investments was formed in 2018 as a combination of three BNY Mellon boutiques: Standish, The Boston Company, and Mellon Capital. Prior to the merger, each of the three now-combined boutiques signed the UN Principles for Responsible Investment and took initial steps in their ESG journeys, though progress has sped up since.

Mellon has no dedicated ESG specialists, and each investment professional is responsible for weighing ESG considerations and materiality. In order to provide oversight, Mellon has set up an ESG council and designated four ESG champions across the firm. Investment personnel have access to several third-party ESG data sources, and in 2020, the firm launched a proprietary ESG score for equities.

Mellon's sustainability offering is very limited: It currently offers two ESG-focused strategies, a Municipal Bond Impact strategy and a Carbon Efficiency strategy. ESG integration into the investment processes of its fundamental active equity and fixed-income strategies is left at the teams' discretion. As such, integration isn't formalized, and the firm is still building out its monitoring process.

The firm is also in the process of updating its proxy-voting guidelines with respect to ESG considerations, though it has a reasonable record of backing ESG-friendly resolutions in 2020. Mellon engages with firms as needed on issues it deems material but does not have a formal engagement or escalation process.

In February 2021, Mellon announced that its active equity and fixed-income teams will join fellow BNY Mellon boutiques Newton and Insight, respectively, in the third quarter of 2021. That represents a large change to its makeup, leaving Mellon with its indexing business, though the impact on its future approach to ESG from these upcoming changes isn't clear yet.

By Sam Kulahan

MFS

ESG Commitment Level: Basic

MFS' decentralized, bottom-up approach to environmental, social, and governance integration fits nicely with its broader, long-term investment philosophy but remains a work in progress; it earns a Morningstar ESG Commitment Level of Basic.

MFS' generally long investment horizon is a natural ally to its ESG incorporation efforts. The firm's talented central research team, which includes more than 100 fundamental research analysts, integrates ESG data into its broader analyses of companies. ESG is not considered in a top-down fashion, and the portfolio managers do not screen out or otherwise exclude any stock purely on the merits of an ESG ranking or score. Rather, the research analysts adjust model inputs based on the materiality of any ESG risks that a company may be facing. These assumptions impact analysts' buy and sell recommendations, which flow into portfolio decisions. This long-term-focused, bottom-up effort tends to push its funds away from poor-ESG stocks and into companies with more-sustainable business models. MFS does not offer ESG-mandated products, though its current lineup generally scores well against its category peers in terms of Portfolio Sustainability Scores.

The firm also has dedicated central ESG resources, though they are not deeply experienced in the space. Barnaby Weiner, MFS' first chief sustainability officer, took over the role in 2018 after spending years as a traditional portfolio manager. He is joined by three dedicated ESG research specialists, each of whom began their careers as fundamental analysts, but two of whom began their ESG roles within the past three years. The central team plays more of a support role and pushes out data and research to the fundamental analysts.

MFS still has plenty of room to grow. Its portfolio managers are not as actively engaged with company management on ESG issues as some peers. Proxy voting is largely done by a central team, and its formal voting guidelines are not as robust as other firms'. Additionally, MFS generally lags higher-ranked peers in terms of disclosures around fund- and company-level ESG metrics.

By Jack Shannon

Morgan Stanley

ESG Commitment Level: Basic

Morgan Stanley Investment Management has dedicated environmental, social, and governance resources and is largely supportive of ESG shareholder resolutions, but many strategies aren't systematically incorporating ESG considerations, leading to a Morningstar ESG Commitment Level of Basic. Its recent acquisition of Eaton Vance (including ESG specialist Calvert) is excluded from this analysis until the integration solidifies.

MSIM has shored up its ESG resources, though the effort at the team level is fairly new. It has a seven-person central sustainability team, which is a shared resource across MSIM, Wealth Management, and the Institutional Securities group. Each of MSIM's individual teams has at least one embedded ESG analyst (11 in total); some are original team members who pivoted to ESG, and others are new hires. The dedicated group of 18 ESG personnel is fairly tenured, with an average of about 12 years of ESG experience. Several new joiners in 2020 indicate the firm has ramped up its efforts recently.

MSIM does not institute an overarching ESG philosophy across its lineup; each team is allowed to craft its own approach. This aligns with the firm's multiboutique model, which lets each team autonomously pursue its own investment style. That said, ESG considerations are a bit more systematically integrated on the fixed-income side. MSIM provides access to nine ESG data sets, which can be incorporated differently across teams. Some teams have developed proprietary data sets on key issues. For instance, the Counterpoint Global team has crafted models around executive compensation and employee retention. While ESG risks are observed across strategies, there are no top-down rules requiring managers to make portfolio changes based on ESG considerations, and ESG integration does not influence compensation directly.

Individual teams drive corporate engagement rather than MSIM pursuing thematic issues across all portfolios. While the firm is part of some investor coalitions, it has not led any collaborative engagements lately and prefers one-on-one engagements. It has dedicated in-house proxy-voting resources, and Morningstar's analysis indicates MSIM recently had a high level of support for ESG resolutions. Meanwhile, the implications of MSIM's acquisition of ESG specialist Calvert are unclear.

By Katie Reichart

Nanuk

ESG Commitment Level: Basic

Nanuk Asset Management's investment philosophy and culture are centred around sustainability, but given its limited environmental, social, and governance resources versus a competitive global peer group, it earns a Morningstar ESG Commitment Level of Basic.

Founded in 2009 with a purpose to invest in companies expected to benefit from a global shift towards sustainable practices, Nanuk Asset Management's philosophy aligns with the subset of ESG managers focused on impact investing. At least 25% of an eligible investment firm's value must be derived from activities that contribute to improving global sustainability. The firm also has a broad exclusion list including coal, oil & gas, uranium, nuclear generation, weapons, adult entertainment, alcohol, correctional facilities, gambling, and tobacco. Despite this core firmwide mission, Nanuk has been slower to adopt traditional ESG standards. For example, it only became a signatory of the UN Principles for Responsible Investment in 2018 and as of first-quarter 2021 had yet to publish an ESG engagement report. Part of the problem has been the firm's lack of scale to date to add dedicated ESG resources to support the portfolio managers who have a lot on their plates given a multiportfolio approach. As the business grows, we hope to see an improvement here.

Overall, while the philosophical stance of the firm provides a solid foundation, in a competitive global peer group and increasing investor expectations around transparency and reporting, Nanuk Asset Management still has work to do.

By Michael Malseed

Platinum

ESG Commitment Level: Low

While environmental, social, and governance considerations have been an integral part of the overall risk assessment at Platinum, the shop is behind its peers on other ESG initiatives, warranting a Morningstar ESG Commitment Level of Low.

Platinum Asset Management is one of the most established fund management businesses in the Australian market; however, it is lagging its competitors on integrating ESG considerations in a meaningful and transparent way. Typical of a traditional asset-management boutique, the solid investment process of the firm has long incorporated some ESG assessment for valuation and to identify financial risks. But this process could be more thorough and formalised. The firm is one of the later adopters of the UN Principles of Responsible Investing, becoming a signatory only in January 2021. Platinum uses two third-party data providers to collect and assess ESG information; however, given the scale of the firm, more tangible efforts would be welcome.

Lately, the firm has shown signs of prioritizing ESG by hiring a dedicated ESG specialist. While this is a positive step and the dedicated ESG specialist comes with over five years of experience, the output of this development is as yet unclear. Platinum has a thorough company visitation program and actively engages company management and directors on numerous matters, including ESG issues if deemed material or likely to impact a company's long-term value. However, governance remains the predominant factor for advocacy here. Proxy voting is undertaken on matters such as proposed share buybacks, mergers and acquisitions, and other business reorganisations. There are no voting guidelines on environmental and social issues. While the transparency and disclosure of key proxy-voting decisions is on par with other domestic peers, the global competition is way ahead in this space. Reporting on various ESG and sustainability initiatives could also be more comprehensive.

By Ksenia Zaychuk

State Street

ESG Commitment Level: Basic

State Street Global Advisors has been vocal on environmental, social, and governance issues like gender diversity and climate risks over the past several years through its media campaigns and thought leadership. Under the hood, the firm is focusing on ESG issues that are financially material to its portfolio companies. However, it faces some hurdles that limit its ability to aggressively exercise an ESG agenda. SSGA earns a Morningstar ESG Commitment Level of Basic.

Most of SSGA's USD 3 trillion-plus in assets under management is tied to ESG-agnostic index-tracking strategies, like SPDR S&P 500 ETF SPY, making it difficult for the firm to incorporate ESG considerations across its fund lineup. It also means the firm is a source of permanent capital for many of its portfolio companies irrespective of their ESG risks. It cannot change its stake in portfolio companies that don't measure up to its ESG expectations.

Active ownership through engagement and proxy voting is the primary way SSGA can influence its portfolio companies to act in a more ESG-friendly way. Along those lines, the firm has developed an investment stewardship program geared toward financially material ESG issues. Its in-house ESG evaluation tool, dubbed R-Factor, combines ESG data from multiple sources, SSGA's own insights, and SASB's framework to establish each portfolio company's exposure to financially material ESG risks. This tailored approach helps SSGA's stewardship team prioritize certain engagements over others to make the most efficient use of its efforts. The stewardship team is not large with respect to the size of SSGA's AUM, but it is integrated across multiple business units and continues to grow.

Despite those efforts, SSGA supported only about half of key shareholder resolutions in the last proxy season. The firm favors dialogue with companies to drive positive change and withholds from publishing the names of those that fall short. It publishes quarterly stewardship reports that summarize these engagements on its website.

ESG-focused strategies represent about 12% of SSGA's AUM. The firm increased the number of ESG funds offered in the U.S. and abroad over the past year. Its current ESG lineup largely consists of exclusions-based strategies. It plans to offer more "best-in-class" ESG strategies in the coming years.

By Daniel Sotiroff

T. Rowe Price

ESG Commitment Level: Basic

T. Rowe Price has put significant resources behind its developing environmental, social, and governance efforts, earning it a Morningstar ESG Commitment Level of Basic.

While the firm signed the UN Principles for Responsible Investment in 2010, its ESG push ramped up in 2017 with the hiring of responsible investing head Maria Elena Drew. She built out a team of ESG specialists and helped develop a thorough proprietary ESG research system, which is integrated with the firm's central research system and readily available to all T. Rowe analysts and portfolio managers across asset classes.

In staying true to T. Rowe's investment culture, managers have full authority to use ESG data as they see fit alongside traditional financial data. However, outside of T. Rowe's handful of ESG strategies, purposeful inclusion of ESG considerations and exclusion of bad actors are not required, and there is no formal portfolio monitoring system in place.

T. Rowe has long focused on corporate governance issues as part of its regular research process, but its efforts on the environmental and social fronts are still emerging. It has had dedicated governance-related resources since 2007 and votes all its proxies, though its guidelines on environmental and social issues are vague. The firm does not take broad thematic positions on ESG matters, but the ESG team flags key issues on a company-specific basis, with analysts, managers, and ESG specialists all potentially involved in engagement discussions with company management. T. Rowe prefers to engage with companies alone given its historically strong corporate access, though it is a member of various global ESG advocacy groups. However, the firm has not led collaborative engagements with other investors.

The firm's efforts continue to evolve. It already discloses ESG metrics for ESG-focused funds and plans to improve disclosure for conventional funds as well. T. Rowe is also looking to enhance its proxy-voting reporting, with more detail around its voting rationale in certain instances.

By Katie Reichart

VanEck

ESG Commitment Level: Low

VanEck seeks to distinguish itself among larger asset managers by providing exposure to niche markets such as natural resources and emerging markets, but it has largely avoided the sustainable investing space and therefore earns a Morningstar ESG Commitment Level of Low.

VanEck does not have any personnel dedicated to environmental, social, and governance matters, nor does it have any proprietary ESG tools.

Nearly 90% of VanEck's business (as a percentage of assets under management) is tied to index-tracking strategies that are agnostic to ESG criteria.

Active ownership through engagements and proxy voting would be VanEck's primary tool to affect ESG initiatives. On the proxy-voting front, VanEck follows Glass Lewis' guidelines, which have resulted in high support for ESG resolutions (87% in 2020). However, on the engagement front, VanEck's efforts seem nonexistent. The firm's engagement guidelines are extremely limited, lacking meaningful details including what would trigger an engagement, how the engagement would be monitored, or how the effects of the engagement would be communicated to investors.

The firm has published several ESG-related blog posts, but these are rather limited.

By Neal Kosciulek

Voya

ESG Commitment Level: Low

Voya is still in the early stages of developing its environmental, social, and governance effort and therefore earns a Morningstar ESG Commitment Level of Low.

Despite an early legacy foray into socially responsible investing through exclusionary strategies, Voya's effort towards a broader integration of ESG considerations across its product offering is fairly nascent. The firm has signed on to several ESG-related industry codes and associations over the years but became a UN Principles for Responsible Investment signatory only at the end of 2017. Voya counts very few professionals dedicated to sustainable investing and relies predominantly on the recently established ESG steering committee to incorporate ESG considerations across asset classes. The committee, which is led by a seasoned head of ESG hired at the end of 2016, is mostly composed of investment professionals with limited experience in sustainable investing. Voya employs multiple sources of ESG data, and several areas of the company's investment platforms have developed in-house ESG tools and scoring processes, but the firm has yet to finalize its uniform proprietary rating system.

Ultimately, 16% of the firm's asset resides in strategies considered ESG-focused, but virtually all these assets are in purely exclusionary approaches, and the balance of the company's assets is managed free of any ESG considerations.

By Supreet Grewal

STRATEGY ANALYSIS

Affirmative Global Bond

ESG Commitment Level: Leader

Asset Manager: Affirmative Investment Management

Affirmative Global Bond sets a lofty environmental, social, and governance standard for global fixed income, investing purely in impact bonds verified by its extensive sustainability team. The strategy earns a Morningstar ESG Commitment Level of Leader.

Affirmative Investment Management is a sustainable fixed-income pioneer with this dedicated impact bond strategy. The seven-person sustainability team, in conjunction with the firm's credit personnel, is responsible for the verification of its universe of investable bonds. This universe encompasses green, social, and sustainable bonds. These bonds are defined as bonds supporting environmental and social activities and projects and can also include unlabeled bonds issued by highly sustainable and responsible issuers. The verification process is one of positive selection to identify and screen both issues and issuers for meaningful and measurable impact. Only bonds that fulfil the stringent criteria and whose proceeds fund projects that help the world mitigate or adapt to climate change are investable. Exclusionary criteria also apply to controversial weapons, gambling, thermal coal, and tobacco. This positive identification ensures all issues and issuers meet the highest standards and results in a portfolio that consists of a majority of green bonds.

AIM's approach to active ownership elevates this strategy to the upper echelon, not alone amongst nonintentional strategies, but ESG-focused also. A comprehensive annual impact report details the portfolio's ESG metrics, engagements, and impact verification, along with commitment to Sustainable Development Goals, the Paris Agreement process, and a carbon profile. Engagement is active and ongoing with potential and current impact bond issuers to promote the development and maintenance of standards that will ensure a high level of transparency and a clear ongoing commitment to positive environmental or social impact. The sustainability team is primarily responsible for the impact reporting and engagement activities; however, the portfolio management and credit teams are also involved throughout. This significant level of ESG resourcing to reporting and engagement signals its dedication to sustainable investing.

American Century Growth

ESG Commitment Level: Low

Asset Manager: American Century

Environmental, social, and governance considerations take a backseat to investment potential at American Century Growth. It earns a Morningstar ESG Commitment Level of Low.

This strategy's team considers material ESG risks when evaluating investment opportunities for the portfolio. The managers use a broad quantitative screen to filter down the universe and then perform fundamental analysis and incorporate an ESG materiality assessment of each company. The managers make use of American Century's nascent, six-person ESG team (as of March 2021) to help build a combined ESG profile for each company. Yet that ESG profile is secondary to the team's focus on cash flow growth.

American Century hired Guillaume Mascotto in late 2017, formerly of MSCI and Pimco, to head up the firm's sustainability and engagement efforts. Mascotto implemented an ESG training program for each investment team at American Century to help them understand potential material issues. Mascotto and his team also build the proprietary ESG profiles for companies, leveraging third-party ESG information.

American Funds American Balanced**American Funds Income Fund of America**

ESG Commitment Level: Low

Asset Manager: Capital Group (American Funds)

The portfolio managers of American Funds American Balanced and Income Fund of America have access to a growing pool of environmental, social, and governance data and a sizable ESG team, but the firm's ESG efforts are still a work in progress. The managers also consider ESG factors as part of their investment process, but such criteria don't play a large role. The fund earns a Morningstar ESG Commitment Level of Low.

As with other portfolio managers at Capital Group, the advisor to American Funds, the managers on these strategies have ESG-related screening tools available and tend to treat such issues as risk factors in the context of their long-term investment theses. When they invest in companies that have such issues, they are required to document and monitor them, as well as engage with company management teams. But the managers retain the flexibility to invest in any company and are not required to sell those that don't respond well to ESG-related engagement efforts (though they do when ESG issues have a negative impact on their investment thesis). Also, the rationale behind the fund's proxy votes is not disclosed by the firm.

The firm is ramping up its ESG specialist team, which was founded in 2018 and got a new leader in 2020. Currently, it is putting together a stronger ESG framework which ought to have an impact on these strategies in the future.

Antipodes Global

ESG Commitment Level: Low

Asset Manager: Antipodes Partners

Antipodes Global incorporates environmental, social, and governance factors into its investment process, but they are not a primary driver of the manager's approach, and the firm is still in the early stages of its ESG journey. In the competitive peer group of global equities, particularly when judged against more advanced offshore counterparts, the Antipodes Global strategy earns an ESG Commitment Level of Low.

The strategy adopts a 'pragmatic value' approach, seeking investments deemed mispriced relative to their growth and quality characteristics. The very broad investment universe is narrowed by quantitative filters, which since 2017 have included third-party ESG scores as a component of measuring a firm's quality, alongside financial metrics. In 2020, Antipodes also appointed existing commodities analyst Owen Scarrott as an ESG specialist, responsible for assessing ESG risk across prospective investments.

Expected total return and benchmark outperformance are the predominant focus, so ESG issues are viewed through the lens of financial and valuation risk, as well as minimum acceptable standards, rather than adopting a moralistic approach. The strategy won't avoid segments of the market completely on ESG grounds, instead favouring firms with a pathway to improvement. For example, pragmatism comes to the fore when looking at energy producers, seeking players that are on a pathway to carbon neutrality, rather than being fixated on current metrics. Despite this, according to Antipodes' quarterly disclosure, the portfolio had materially lower carbon-emissions intensity as of fourth-quarter 2020, albeit overall portfolio ESG metrics were broadly in line with the MSCI ACWI benchmark. This information, along with proxy-voting records, is available on request from the manager, but a better practice to demonstrate a commitment to transparency would see it more easily accessible to the public. While it is pleasing to see steps being taken towards greater ESG commitment, Antipodes Global has a way to go to catch up with peers.

Ariel Appreciation**Ariel Fund**

ESG Commitment Level: Basic

Asset Manager: Ariel Investments

Ariel Appreciation's and Ariel Fund's historic strength on diversity issues and the broader promise of its more recent environmental, social, and governance framework merit a Morningstar ESG Commitment Level of Basic.

The strategy focuses on understanding rather than avoiding ESG risk, but its philosophy on diversity, equity, and inclusion is deeper. Portfolio manager John Rogers works diligently to advocate for more inclusive corporate practices. As founder and CEO of Ariel Investments, Rogers uses his platform and investment discretion to push companies to seek out board members from diverse backgrounds and

adopt more equitable business practices. It's not just talk, though, as Rogers and comanager Tim Fidler have produced tangible results over the years. While commendable, such engagement efforts are not as apparent on other ESG matters, such as the environment.

Formal incorporation of ESG criteria other than diversity is still nascent. The firm hired its director of ESG investing in 2014, developed its first stock-specific ESG research reports in 2017, and began using proprietary ESG ratings in equity valuation models only in 2020. While most efforts are new, the collaboration and impact are genuine. Ariel's three-member ESG team leverages a host of third-party ESG data providers and inputs from fundamental research analysts to formulate its own views on ESG risks.

A focus on consumer and media stocks with stable business models typically leads the strategy away from higher-risk sectors like energy, but Rogers' focus on financial materiality means he'll own stocks with some red flags if they are cheap enough. The firm could do better to improve disclosure of the fund's ESG characteristics and provide more detailed proxy-voting guidelines and voting history.

Baird Aggregate Bond**Baird Core Plus Bond****Baird Short-Term Bond****Baird Ultra-Short Bond**

ESG Commitment Level: Low

Asset Manager: Baird

Environmental, social, and governance considerations aren't a priority for the Baird fixed-income team. These strategies receive a Morningstar ESG Commitment Level of Low.

As the firm does not have a centralized ESG research team, the credit analysts and portfolio managers responsible for these strategies oversee the ESG research. While they consider ESG inputs from a handful of third-party data providers, including ISS and Bloomberg, it is only to marginally further their conventional credit analysis; the firm does not monitor nor reward the ESG integration effort or its impact on performances. The portfolio management teams do not have any formal ESG-related screens on issuers or sectors within their investment universe nor any mechanism for selling a credit that fails to meet an ESG threshold.

The portfolio managers do not undertake any level of thematic ESG engagement with issuers in their portfolio, limiting conversations to traditional price discovery and due-diligence matters and publishing no engagement-related reports on publicly available forums.

Bell Global Equities

ESG Commitment Level: Basic

Asset Manager: Bell Asset Management

Bell Global Equities has a solid incorporation of environmental, social, and governance factors into its investment process, but limited public disclosure around the portfolio's ESG metrics results in a Morningstar ESG Commitment Level of Basic.

The strategy's investment process seeks high-quality companies that are trading at reasonable valuations. The broad global investment universe is first screened to a manageable level by quantitative financial filters before the fundamental analyst team undertakes its qualitative assessment, narrowing the universe to an investable watchlist of around 250 stocks. ESG considerations are a key component of the quality screen, alongside more-traditional fundamental factors. The firm also has hard exclusions on tobacco, cluster munitions, pornography, uranium, and coal.

All analysts and portfolio managers are extensively involved in ESG matters and corporate engagement, but pleasingly the group also has a dedicated ESG specialist with experience in similar roles at other firms. The portfolio's ESG characteristics and carbon intensity are monitored relative to its benchmark's, but this information is not readily and publicly available. Indeed, limited public disclosure around portfolio characteristics and proxy-voting rationales are what hold this strategy back from attaining a higher ESG Commitment Level. Overall, there is a lot to like here, but greater transparency is required in an age of increasing ESG focus.

BGF Fixed Income Global Opportunities**BGF US Dollar Bond****BlackRock Strategic Global Bond****BlackRock Strategic Income Opportunities****BlackRock Total Return**

ESG Commitment Level: Basic

Asset Manager: BlackRock

BlackRock's bond team integrates environmental, social, and governance considerations in the funds' investment processes, but the impact of ESG factors on portfolio management decisions is still lower than more advanced peers. The strategy earns a Morningstar ESG Commitment Level of Basic.

BlackRock has backed its vocal commitment to sustainable investing with vast centralized resources and the firm's global fixed-income platform has also developed its own responsible investment team, proprietary framework, and processes to address the specific needs of the asset class. The sector teams supporting these strategies integrate third-party ESG data in addition to in-house research into their fundamental analyses while the management team monitors the portfolio's ESG risk profile, flagging securities that need deeper research and potentially triggering engagement with issuers or changes in position sizes.

However, portfolio modifications driven by ESG factors have historically been ancillary. No screening of the investment universe or portfolio construction guidelines tilt the portfolio toward a higher sustainability profile or limit the discretion of the managers who can override the analysts' ESG views at will.

Finally, while the managers have access to a detailed ESG exposure report with a plethora of ESG metrics for all strategies on the global fixed-income platform including this one, those ESG screenshots have yet to be made publicly available.

BlackRock Equity Dividend

ESG Commitment Level: Basic

Asset Manager: BlackRock

BlackRock Equity Dividend taps a lot of environmental, social, and governance data, but its capabilities are still recent and evolving, and it doesn't aim for a prescribed ESG risk profile, warranting a Morningstar ESG Commitment Level of Basic.

ESG fits with this strategy. It prefers companies with business models and long-term outlooks that let them pay and increase dividends. Despoiling the environment; exploiting workers, suppliers, customers, and communities; and tolerating short-term thinking or corruption risks sap dividend growth. Indeed, the strategy got more systematic about weaving ESG into its process after lead manager Tony DeSpirito and comanagers Franco Tapia and David Zhao took over in 2017.

This isn't an ESG-focused strategy, however. The team's idea screens include ESG factors; analysts compare sustainability scores in their research templates and must articulate how the data influenced their recommendations; and the managers can see how trades affect the portfolio's overall ESG profile. Still, ESG is just another input into the team's overall business and share price assessments. The managers often are more likely to use ESG data as contrarian indicators. They have, for example, invested in natural gas drillers, partly because they thought low commodity prices exaggerated a measure of their carbon intensity relative to other fossil fuel companies and that metric would improve as prices increased.

The managers cast their own proxy votes and ask executives and directors about plans for reducing emissions, improving diversity, and crafting long-term incentives, but they still prefer talking with firm management to voting against it at this point.

BlackRock High Yield Municipal**BlackRock National Municipal**

ESG Commitment Level: Basic

Asset Manager: BlackRock

BlackRock High Yield Municipal and BlackRock National Municipal benefit from firmwide dedicated environmental, social, and governance resources at BlackRock, but the muni team's direct ESG experience is limited and its effort to formally incorporate ESG metrics into the investment process is still in its early stages. The strategies earn a Morningstar ESG Commitment Level of Basic.

With the support of the firm's global fixed-income responsible investment group, the individual investment teams at BlackRock are tasked with assessing the ESG components of each bond and integrating this into their risk analysis. The firm's muni team is substantial and boasts more than 50 skilled members working with sophisticated tools focused on portfolio management and risk analytics. While the 17 analysts focused on muni research incorporate ESG considerations into their work, only a handful currently bring previous ESG expertise to the effort.

This team's ESG efforts build on BlackRock's firmwide commitment to require all its investment strategies to consider ESG risks and disclose ESG metrics in the short term. The firm signed the UN-supported Principles for Responsible Investment quite early (in 2008) and has offered ESG-focused strategies since then. It has expanded that range over the years, but in 2020 it began formalizing that initiative throughout its actively managed lineup, including its muni strategies.

To that end, the team leverages third-party ESG data in addition to in-house research to gather issuer-level information on key ESG indicators. This information is then incorporated into the team's fundamental analysis and security valuations to inform position selection and sizing. It has integrated region-, sector-, and issuer-level ESG information into the firm's investment and risk management system Aladdin, which BlackRock investors use to make investment decisions and monitor portfolios. That said, no stringent screening of the strategies' investment universe—with the firmwide exception of thermal coal—or formal ESG guidelines tilt the portfolio toward a distinctly higher sustainability profile or limit the discretion of the managers regarding portfolio decisions.

Calvert Target Risk Series**Mutual Funds: Conservative Allocation, Moderate Allocation, Growth Allocation****Model Portfolios: Responsible Capital Preservation, Responsible Conservative Allocation, Responsible Moderate Allocation, Responsible Growth Allocation, Responsible Aggressive Growth**

ESG Commitment Level: Advanced

Asset Manager: Calvert

Calvert's target-risk series showcases the firm's strengths in active sustainable investment strategies, but a sizable allocation to less-inspiring index-based options limits the series' appeal. All funds in the series earn a Morningstar ESG Commitment Level of Advanced.

Strategies in this series invest in a wide range of proprietary underlying funds, each of which adheres to Calvert's Principles for Responsible Investment. This topnotch approach to sustainable investing often, though not always, leads to the exclusion of companies involved in controversial industries such as gambling, tobacco, and alcohol. While it's common for environmental-, social-, and governance-focused strategies to screen these companies from portfolios, Calvert funds have the latitude to invest in such sectors provided company management is taking active steps to mitigate their negative effects. In this way, Calvert provides investors the opportunity to benefit from the sustainability transition across industries.

Implementation of this approach is more robust in the firm's actively managed offerings (roughly 65% of the portfolio), and it is less compelling in the index-based options (35% of assets). Highlights in the active lineup include Calvert Bond and Calvert Balanced, both of which earn ESG Commitment Levels of Leader. The passive lineup includes Calvert U.S. Large-Cap Core Responsible Index and Calvert International Responsible Index, each of which earns an ESG Commitment Level of Basic. Unlike more advanced passively managed peers, these funds employ a process that allows firms with mediocre ESG characteristics into the portfolio.

Calvert's ESG research team is well-sized and well-resourced given the scale of assets it runs, though it has seen significant shifts since the firm's acquisition by Eaton Vance in 2016. All but one of the team's 11 members joined Calvert within the past three years, and this growing team has seen turnover as well. That said, most are seasoned professionals with expertise in sustainability-oriented topics. They employ a rigorous analytical framework, which draws on more than a dozen third-party data sources and their own proprietary research.

Calvert International Responsible Index

ESG Commitment Level: Basic

Asset Manager: Calvert

Calvert International Responsible Index Fund incurs a small amount of active risk to emphasize stocks with strong environmental, social, and governance ratings from overseas markets. It earns a Morningstar ESG Commitment Level of Basic.

This fund tracks the Calvert International Responsible Index. Calvert's responsible research review committee oversees the stock-selection process. The committee tries to identify large-cap firms listed in foreign developed markets that align with Calvert's principles for responsible investment. These principles include environmental sustainability, resource efficiency, societal equity, human rights, and transparent business operations. A separate index-construction team builds the portfolio from these eligible stocks.

Several years ago, the committee primarily determined holdings based on business involvement, avoiding stocks whose lines of business conflicted with the firm's principles. But its perspective has

evolved over time. The committee looks at each company individually to better understand firm-specific ESG risks and actions taken to manage those risks. The committee may elect to exclude stocks that align with these principles but have close ties to products or environmental factors that pose significant health or environmental risks.

The portfolio initially weights its holdings by their float-adjusted market capitalization. The index-construction team adjusts those weights to bring the portfolio's country and sector allocations closer to those of the starting universe. These adjustments prevent the portfolio from making big bets on ESG-friendly market segments. However, it may still exhibit sizable weighting differences with sectors exposed to substantial ESG risks. As of March 31, 2021, its allocation to the energy sector was near zero.

Calvert US Large Cap Core Responsible Index

ESG Commitment Level: Basic

Asset Manager: Calvert

Calvert US Large-Cap Core Responsible Index adheres to the Calvert Principles for Responsible Investment, emphasizing stocks that meet these proprietary standards. But at its core this is an index fund that seeks to replicate the contours of its market. It earns a Morningstar ESG Commitment Level of Basic.

The fund tracks the Calvert US Large-Cap Core Responsible Index, a market-cap-weighted index that casts a wide net by including the 1,000 largest publicly traded U.S. companies. Those stocks that meet the Calvert Principles for Responsible Investment are allowed into the index. Firms that engage in contentious business activities, demonstrate poor management of environmental risks, or have engaged in unethical business practices are left out.

In sweeping in only those stocks that meet Calvert's Principles for Responsible Investment, the fund omits about 20% of the names and 24% of the total market value in its selection universe, as of January 2021.

The fund largely shuns the energy sector and abstains from investing in some large and widely held companies like Facebook, owing to concerns pertaining to the firm's ability to maintain users' privacy and secure their data. Nonetheless, the resulting portfolio should deliver similar performance to the broad U.S. stock market over the long term as it still covers most of the opportunity set and leverages the market's collective expertise in sizing its positions.

Calvert US Large Cap Growth Responsible Index

ESG Commitment Level: Basic

Asset Manager: Calvert

Calvert US Large-Cap Growth Responsible Index adheres to the Calvert Principles for Responsible Investment, emphasizing stocks that meet these proprietary standards. But at its core this is an index

fund that seeks to replicate the contours of its market. It earns a Morningstar ESG Commitment Level of Basic.

The fund tracks the Calvert US Large-Cap Growth Responsible Index, a market-cap-weighted index that emphasizes the faster-growing stocks from the Russell 1000 Index. But it also incorporates environmental, social, and governance criteria, as only those stocks that meet the Calvert Principles for Responsible Investment are allowed into the index. Firms that engage in contentious business activities, demonstrate poor management of environmental risks, or have engaged in unethical business practices are left out.

Each stock in the Russell 1000 Index receives a net growth score and net value score. The 30% of stocks with the strongest growth or value scores are fully allocated to the growth or value indexes, while the stocks representing the 31st through 70th percentiles are partially allocated between the two benchmarks.

In sweeping in only those stocks that meet Calvert's Principles for Responsible Investment, the fund omits about 20% of the names and 17% of the total market value in its selection universe, as of January 2021. Nonetheless, the resulting portfolio should deliver similar performance to the Russell 1000 Growth Index over the long term as it still covers the vast majority of the opportunity set and leverages the market's collective expertise in sizing its positions.

Calvert US Large Cap Value Responsible Index

ESG Commitment Level: Basic

Asset Manager: Calvert

Calvert US Large-Cap Value Responsible Index Fund adheres to the Calvert Principles for Responsible Investment, emphasizing stocks that meet these proprietary standards. But at its core this is an index fund that seeks to replicate the contours of its market. It earns a Morningstar ESG Commitment Level of Basic.

The fund tracks the Calvert US Large-Cap Value Responsible Index, a market-cap-weighted index that emphasizes the cheaper stocks from the Russell 1000 Index. But it also incorporates environmental, social, and governance criteria, as only those stocks that meet the Calvert Principles for Responsible Investment are allowed into the index. Firms that engage in contentious business activities, demonstrate poor management of environmental risks, or have engaged in unethical business practices are left out.

Each stock in the Russell 1000 Index receives a net growth score and net value score. The 30% of stocks with the strongest growth or value scores are fully allocated to the growth or value indexes, while the stocks representing the 31st through 70th percentiles are partially allocated between the two benchmarks.

In sweeping in only those stocks that meet Calvert's Principles for Responsible Investment, the fund omits about 46% of the names and 43% of the total market value in its selection universe, as of January 2021. Nonetheless, the resulting portfolio should deliver similar performance to the Russell 1000 Value Index over the long term as it still covers most of the opportunity set and leverages the market's collective expertise in sizing its positions.

Calvert US Mid Cap Core Responsible Index

ESG Commitment Level: Basic

Asset Manager: Calvert

Calvert US Mid Cap Core Responsible Index Fund adheres to the Calvert Principles for Responsible Investment, emphasizing stocks that meet these proprietary standards. But at its core this is an index fund that seeks to replicate the contours of its market. It earns a Morningstar ESG Commitment Level of Basic.

The fund tracks the Calvert US Mid Cap Core Responsible Index. This is a market-cap- weighted index that casts a wide net. It includes the stocks represented among the 201st and 1,000th largest publicly traded U.S. companies. Those stocks that meet the Calvert Principles for Responsible Investment are allowed into the index. Firms that engage in contentious business activities, demonstrate poor management of environmental risks, or have engaged in unethical business practices are left out.

In sweeping in only those stocks that meet Calvert's Principles for Responsible Investment, the fund omits about 33% of the names and 34% of the total market value in its selection universe, as of January 2021.

The fund largely shuns the energy sector and abstains from investing some large and widely held companies like Twitter, owing to concerns pertaining to the firm's ability to maintain users' data security. Nonetheless, the resulting portfolio should deliver similar performance to the broader U.S. mid-cap market over the long term as it still covers most of the opportunity set and leverages the market's collective expertise in sizing its positions.

Capital Group Fundamental Investors**Capital Group New World****Capital Group New World (AU)****Capital Group New World (LUX)****Capital Group New World Hedged (AU)****Capital Group Smallcap World**

ESG Commitment Level: Low

Asset Manager: Capital Group (American Funds)

Several American Funds strategies receive a Morningstar ESG Commitment Level of Low: Fundamental Investors, New World, and Smallcap World. The strategies' environmental, social, and governance integration efforts, while holding some promise, are still in process.

To the extent that ESG considerations affect long-term investment results, they've played a part in how the managers and analysts evaluate companies on these strategies. Still, efforts to formalize integration of ESG concerns into fundamental research, ongoing monitoring, and engagement are only a few years in the making. The analysts supporting the strategies, who also each invest a small portion of assets in their areas of expertise, now evaluate their investment universes using ESG metrics. Analysts and managers can still invest in companies that score poorly but doing so requires additional due diligence and those investments are subject to greater scrutiny from parent Capital Group's issuer oversight committee. In evaluating ESG risk, the analysts are moving toward developing industry-specific proprietary frameworks, and for support they can draw on a centralized roughly 15-strong ESG team. This team, however, formed in mid-2019, about a third of its members joined in 2020, and at least one member has already left for a competitor.

At present, ESG efforts across these five strategies do not stand out. While ESG factors are considered, they don't have much of an impact on security selection or portfolio construction. The firm's dedicated proxy-voting team, which readily solicits analysts' input, could provide more insight into the strategy's key voting decisions. Disclosing ESG metrics for each strategy on the firm's website would benefit investors, too.

Columbia Bond

ESG Commitment Level: Low

Asset Manager: Columbia Threadneedle

Columbia Bond's integration of environmental, social, and governance criteria is very limited, underpinning a Morningstar Commitment Level of Low.

The management team has access to companywide ESG resources, but the firm's global research platform has yet to build an ESG analytical framework for securitized assets, which represent, on average, more than 80% of the portfolio. While aware of ESG considerations for corporate holdings, the

team operates with no ESG constraints that would restrain the investment universe or curb the managers' latitude over the portfolio.

Columbia Contrarian Core

ESG Commitment Level: Low

Asset Manager: Columbia Threadneedle

Environmental, social, and governance risk is a peripheral consideration at Columbia Contrarian Core, warranting a Morningstar ESG Commitment Level of Low.

Reviewing companies' ESG risks is part of veteran manager Guy Pope's process, but his focus on finding attractive contrarian opportunities outweighs those considerations. He includes company-level ESG scores from MSCI and Columbia's central responsible investing team as inputs in his investment model. Pope can invest in companies that score poorly but doing so requires additional due diligence and often prompts collaboration with the 15-person responsible investing team. From there, though, ESG considerations are secondary to finding businesses with proven management teams capable of shrugging off recent market pessimism. Further, ESG analysis is mostly shelved when reviewing companies that clear the team's scoring threshold.

Currently, ESG factors don't have much impact on security selection or portfolio construction. Indeed, Pope could further integrate the insights and resources of Columbia's tenured responsible investing team in his fundamental analysis process. The firm's dedicated proxy-voting team could also provide more transparency around the strategy's voting decisions. Disclosing the strategy's ESG metrics on Columbia's website would benefit investors, too.

Columbia Corporate Income

ESG Commitment Level: Basic

Asset Manager: Columbia Threadneedle

Columbia Corporate Income's team leverages the company's resources dedicated to sustainable investing, but while research analysts consider environmental, social, and governance criteria when evaluating potential investments, the integration of these criteria into the overall investment process is rather limited. The strategy earns a Morningstar ESG Commitment Level of Basic.

The strategy's managers lack ESG expertise, but they actively collaborate with Columbia's responsible investment team. This team, which now counts 15 experienced professionals divided between thematic research and investment stewardship (company engagement and proxy voting), is fully integrated into the firm's global research platform. A strong flow of ESG data from multiple providers as well as a suite of proprietary tools are available to every investment professional across the firm. This information is then incorporated into issuers' fundamental analysis and security valuations, but ESG integration ends here. No screening of the investment universe or portfolio construction guidelines tilt the portfolio

toward a higher sustainability profile or limit the discretion of the managers, who can override the analysts' ESG views at will.

Columbia Floating Rate

ESG Commitment Level: Basic

Asset Manager: Columbia Threadneedle

Columbia Floating Rate's team leverages the company's resources dedicated to sustainable investing, but while research analysts consider environmental, social, and governance criteria when evaluating potential investments, the integration of these criteria into the overall investment process is rather limited. The strategy earns a Morningstar ESG Commitment Level of Basic.

The strategy's managers lack ESG expertise, but they actively collaborate with Columbia's responsible investment team. This team, which now counts 15 experienced professionals divided between thematic research and investment stewardship (company engagement and proxy voting), is fully integrated into the firm's global research platform. A strong flow of ESG data from multiple providers as well as a suite of proprietary tools are available to every investment professional across the firm. This information is then incorporated into issuers' fundamental analysis and security valuations, but ESG integration ends here. No screening of the investment universe or portfolio construction guidelines tilt the portfolio toward a higher sustainability profile or limit the discretion of the managers, who can override the analysts' ESG views at will.

Columbia High Yield Bond

ESG Commitment Level: Basic

Asset Manager: Columbia Threadneedle

Columbia High Yield Bond's team leverages the company's resources dedicated to sustainable investing, but while research analysts consider environmental, social, and governance criteria when evaluating potential investments, the integration of these criteria into the overall investment process is rather limited. The strategy earns a Morningstar ESG Commitment Level of Basic.

The strategy's managers lack ESG expertise, but they actively collaborate with Columbia's responsible investment team. This team, which now counts 15 experienced professionals divided between thematic research and investment stewardship (company engagement and proxy voting), is fully integrated into the firm's global research platform. A strong flow of ESG data from multiple providers as well as a suite of proprietary tools are available to every investment professional across the firm. This information is then incorporated into issuers' fundamental analysis and security valuations, but ESG integration ends here. No screening of the investment universe or portfolio construction guidelines tilt the portfolio toward a higher sustainability profile or limit the discretion of the managers, who can override the analysts' ESG views at will.

Columbia Limited Duration Credit

ESG Commitment Level: Basic

Asset Manager: Columbia Threadneedle

Columbia Limited Duration Credit's team leverages the company's resources dedicated to sustainable investing, but while research analysts consider environmental, social, and governance criteria when evaluating potential investments, the integration of these criteria into the overall investment process is rather limited. The strategy earns a Morningstar ESG Commitment Level of Basic.

The strategy's managers lack ESG expertise, but they actively collaborate with Columbia's responsible investment team. This team, which now counts 15 experienced professionals divided between thematic research and investment stewardship (company engagement and proxy voting), is fully integrated into the firm's global research platform. A strong flow of ESG data from multiple providers as well as a suite of proprietary tools are available to every investment professional across the firm. This information is then incorporated into issuers' fundamental analysis and security valuations, but ESG integration ends here. No screening of the investment universe or portfolio construction guidelines tilt the portfolio toward a higher sustainability profile or limit the discretion of the managers, who can override the analysts' ESG views at will.

Columbia Quality Income

ESG Commitment Level: Low

Asset Manager: Columbia Threadneedle

Columbia Quality Income's integration of environmental, social, and governance criteria is very limited, underpinning a Morningstar Commitment Level of Low.

The management team has access to companywide ESG resources, but the firm's global research platform has yet to build an ESG analytical framework for securitized assets, which are the focus of this portfolio. While aware of ESG considerations, the team operates with no ESG constraints that would restrain the investment universe or curb the managers' latitude over the portfolio.

Columbia Strategic Income

ESG Commitment Level: Low

Asset Manager: Columbia Threadneedle

Columbia Strategic Income's integration of environmental, social, and governance criteria is very limited, underpinning a Morningstar Commitment Level of Low.

The management team has access to companywide ESG resources, but the firm's global research platform has yet to build an ESG analytical framework for securitized assets, which represent, on average, more than 60% of the portfolio. While aware of ESG considerations for corporate holdings, the

team operates with no ESG constraints that would restrain the investment universe or curb the managers' latitude over the portfolio.

Columbia Total Return Bond

ESG Commitment Level: Low

Asset Manager: Columbia Threadneedle

Columbia Total Return Bond's integration of environmental, social, and governance criteria is very limited, underpinning a Morningstar Commitment Level of Low.

The management team has access to companywide ESG resources, but the firm's global research platform has yet to build an ESG analytical framework for securitized assets, which represent, on average, more than 75% of the portfolio. While aware of ESG considerations for corporate holdings, the team operates with no ESG constraints that would restrain the investment universe or curb the managers' latitude over the portfolio.

Dimensional Global Bond Sustainability AUD

ESG Commitment Level: Basic

Asset Manager: Dimensional

Dimensional Global Bond Sustainability's limited breadth outside of greenhouse gas emissions limits its Morningstar ESG Commitment Level to Basic.

This strategy's sustainability focus is drivers of climate change, targeting a meaningful reduction in exposure to greenhouse gas emissions. It adopts a two-pronged approach to achieve this outcome using proprietary sustainability scores derived from a bond issuer's emissions intensity and other environmental factors. First, the 10% lowest-scoring issuers are excluded from the investment universe. Additionally, social screens are applied that exclude issuers with meaningful revenue related to tobacco, gambling, alcohol, and factory farming, amongst other sources, whilst also excluding companies based on fossil fuel reserves. Next, issuers are ranked within each sector and split into thirds, the best-scoring third upweighted in the portfolio and the worst-scoring third downweighted. This portfolio tilt is sensible in achieving lower-than-benchmark greenhouse gas emissions exposure, though it has limited breadth in sustainability-related issues beyond this factor. The firm views sustainability strategies as having dual objectives, meeting ESG goals while still pursuing higher expected returns.

Dimensional's strength lies in its data usage. As a systematic manager, it builds this portfolio using data sets from several ESG data sources, which are verified and augmented with the firm's own proprietary research and estimates. The portfolio management team is responsible for crosschecking this ESG data, ensuring the portfolio's sustainability process is consistent with desired outcomes, and the materiality of ESG contraventions that may result in forced exits of positions. Head of responsible investment Joseph Chi leads the top-down sustainable efforts, coordinating the various teams involved in the process. The

firm's central ESG-related resources are reasonable, notwithstanding the focus on this strategy is narrow.

Dimensional's Responsible Investment Committee sets the overarching ESG agenda, while the Investment Stewardship Group is responsible for the firmwide engagement approach.

Fidelity Contrafund

Fidelity Contrafund K6

ESG Commitment Level: Low

Asset Manager: Fidelity Investments

Environmental, social, and governance issues are on the periphery of Fidelity Contrafund's investment process, which is driven by manager Will Danoff's assessment of companies' competitive advantages, improving earnings potential, and leadership. The strategy earns it a Morningstar ESG Commitment Level of Low.

That's not to say the fund is starved of ESG resources. In recent years, Fidelity established a small team of six ESG analysts who leverage sustainability data from third-party vendors and collaborate with the firm's fundamental-focused asset-class analysts to assign companies ESG ratings. It's a sound approach but purely informational and nonbinding for portfolio managers, who are mostly free to invest in whichever companies they wish regardless of their ESG profile. Such ESG insights do not take the substantial and influential role in this portfolio's construction that would merit a higher ESG Commitment Level.

Fidelity Freedom Target-Date Series

Fidelity Freedom Index Target-Date Series

ESG Commitment Level: Low

Asset Manager: Fidelity Investments

The managers behind the Fidelity Freedom and Fidelity Freedom Index target-date series don't consider environmental, social, and governance factors when selecting the underlying funds for its portfolio or when allocating across asset classes. The strategy earns a Morningstar ESG Commitment Level of Low.

The strategy's investment philosophy and process are concentrated around building broadly diversified portfolios using primarily actively managed Fidelity mutual funds. The target-date managers do not select funds for their ESG attributes and do not exclude specific assets when constructing their glide path and sub-asset-class glide path. The funds included in the lineup may consider ESG aspects in their company evaluations at varying degrees.

Fidelity created a centralized seven-person ESG research and stewardship team in 2017. The group works across asset-class teams at the firm and has begun collaborating with the global asset-allocation team backing this target-date series on broader research initiatives. However, ESG considerations

remain on the periphery for this team and do not play a role in the series' overall construction. A separate group handles proxy voting for the underlying index funds.

Fidelity Global Multi Asset Income

ESG Commitment Level: Low

Asset Manager: Fidelity International

Because of the limited role sustainability considerations play in the running of the Fidelity Global Multi Asset Income strategy, we assign it a Morningstar ESG Commitment Level of Low.

This fund does not have any specific constraints or targets related to environmental, social, or governance attributes, nor does the portfolio management team have notable ESG credentials or experience. Two members of the multi-asset research team have been tasked, as ESG experts, mainly to serve as links between the underlying asset class teams and the broader ESG resources at Fidelity. (The company has a central ESG team with 13 members—we think the number could be larger for a company of Fidelity's size.)

From an ESG standpoint, the managers of this fund are not in an enviable spot to start with as the portfolio is built from a varying number of sleeves which can change composition quickly. (The portfolio had more than 3,100 lines at last count in November 2020). The multi-asset team applies a companywide exclusion list and expects both in-house and third-party managers to respect these as well. However, the exclusions list is limited in comparison with many competitors: Fidelity has hard exclusions only on companies involved in production of cluster munitions and land mines, and cannabis production is excluded as per regulatory requirements. The team thus relies mostly on the security analysts of the underlying sleeves to apply Fidelity's proprietary ESG rating system, which was introduced in 2019, as part of their security analysis. While we think the company has taken important steps forward, the intensity with which ESG is integrated into the analysis varies across the sleeves.

On top of the challenges related to portfolio structure, this strategy is focused on income-producing stocks, which tends to lead to a tilt toward less-ESG-friendly sectors such as utilities, whilst sectors such as technology and consumer cyclical stocks are typically at an underweight compared with Morningstar Category peers. Fidelity considers engagement a key part of its ESG process. This fund's team relies mainly on the engagement done by the underlying teams, which is of good quality.

Fidelity Magellan

Fidelity Independence

Fidelity Magellan K6

ESG Commitment Level: Low

Asset Manager: Fidelity Investments

Fidelity Magellan receives a Morningstar ESG Commitment Level of Low. Although the manager incorporates some environmental, social, and governance aspects into his evaluation of companies, and

Fidelity has an ESG committee evaluating companies, the effect on the portfolio's composition is not enough to warrant a higher level of commitment.

Manager Sammy Simnagar says he weighs employee satisfaction and quality highly when evaluating companies, using several different sources, because he believes that is a strong indicator of corporate governance. He also consults the ESG ratings assigned to companies by MSCI and Fidelity's internal team, noting especially the highest and lowest levels. The portfolio doesn't own coal or other energy stocks. On the other hand, there are no systematic ESG screens in place, and Simnagar retains full authority over stock choices. He can invest in companies with middling or low ESG ratings if he deems them appropriate for the portfolio. There is no analyst assigned to the fund with specific ESG expertise or mandate. (Fidelity equity-fund managers generally rely on the firm's large central research team rather than small teams dedicated to specific strategies.) Overall, therefore, ESG considerations do not take the substantial and influential role in portfolio construction that would merit a higher ESG Commitment Level.

Fidelity Overseas

ESG Commitment Level: Low

Asset Manager: Fidelity Investments

While Fidelity Overseas aims to own companies with good governance policies, and the portfolios generally score well on environmental, social, and governance metrics, ESG issues are not systematically considered in portfolio decisions, warranting a Morningstar ESG Commitment Level of Low.

ESG issues play a role in the manager's investment decisions, but it is a small one. Vincent Montemaggiore considers good governance to be table-stakes before investing in a company; he wants to own companies with management teams that are committed to long-term, sustainable growth. Given the disparate operating environments of the portfolio companies, he tries to avoid taking a one-size-fits-all approach. Environmental and social issues are considered on a case-by-case basis, and he generally relies on Fidelity's analysts to supply insights into any associated potential material risks. Thus, there are no formal screens or thresholds for companies to clear before being potentially owned by the fund. Montemaggiore has full portfolio autonomy, and he is willing to invest in companies with high governance capabilities even if they lag on environmental and social metrics. Ultimately, this fund's long-term, quality-based approach leads to a portfolio with a generally positive ESG profile, but ESG considerations do not drive decisions.

Fidelity Sustainable Asia Equity A-Dis-USD

Fidelity Sustainable Asia Equity W Acc

ESG Commitment Level: Advanced

Asset Manager: Fidelity International

Fidelity Sustainable Asia Equity has made several recent enhancements to its already compelling sustainability focus, earning it a Morningstar ESG Commitment Level of Advanced.

This strategy formally adopted a sustainability mandate on Feb. 24, 2021, at which time it was renamed to Fidelity Sustainable Asia Equity from Fidelity Asia Focus. While lead manager Dhananjay Phadnis had always paid close attention to environmental, social, and governance factors, it is now being done in a more systematic and binding way. Phadnis has omitted firms with material exposure to tobacco since early 2019, but the mandate now extends the exclusionary screens to include oil/gas extractors, controversial weapons, and thermal coal mines—amounting to 3% of the MSCI AC Asia ex Japan Index. Moreover, the strategy now strives to maintain a lower carbon footprint than the index, although no reduction target has been set. Overall, the team has committed to having at least 70% of portfolio assets invested in equities with average-to-above-average ESG characteristics and will actively engage with companies below that threshold.

To enhance company engagement efforts, Flora Wang was appointed assistant portfolio manager. Wang—a member of Fidelity International’s dedicated sustainable investment team of 14—joined the firm in 2019 from BlackRock, where she served as head of investment stewardship. Together, Phadnis and Wang have strong ESG experience and benefit from the strides Fidelity International has made on the ESG front in recent years. This includes the 2019 rollout of a proprietary, forward-looking ESG ratings framework undertaken by the large Asia Pacific ex-Japan fundamental analyst team, which influences Phadnis’ security selection and portfolio construction decisions in a systematic fashion.

Overall, the recent adoption of a sustainability mandate is a natural progression for Phadnis, though there are areas worth monitoring. While the presence of Wang as an engagement specialist provides an added layer of comfort, this is the first true ESG strategy Phadnis has managed. Moreover, the team is still working on formalizing its divestment policy, and Phadnis is less involved with proxy voting than higher-rated peers. Finally, while active ownership reporting is reasonably detailed at the parent level, it’s not yet there at the strategy level.

Franklin Growth

ESG Commitment Level: Low

Asset Manager: Franklin Templeton

Franklin Growth is in the early stages of incorporating environmental, social, and governance analysis into its research. The strategy receives a Morningstar ESG Commitment Level of Low.

Franklin’s central research team conducts the bulk of this large-growth strategy’s ESG analysis. The analysts are each responsible for developing their own ESG frameworks, but at this stage they rely primarily on third-party ESG data and analysis. The team is relatively new to using ESG research: It began formally incorporating ESG analysis into its research process in early 2021. The equity group can leverage Franklin Templeton’s three-member centralized ESG team, which helps advise on these matters, but the London-based group is small relative to the firm’s size and its leader Julie Moret departed in March 2021. Franklin Templeton created a new stewardship and sustainability council around the same time, but it’s unclear what near-term impact the council will have here.

Outside of a firmwide ban on controversial weapons businesses, there are no ESG-related exclusions; neither are there broad ESG evaluations used to narrow the investment universe. Lead manager Serena Perin Vinton and her comanagers have complete discretion over the degree to which ESG risks are considered in fundamental analysis and portfolio construction. Proxy voting generally follows recommendations from third-party ISS, though analysts have the flexibility to override such recommendations with sufficient rationale and collaboration with the broader group.

From a reporting perspective, there is room for improvement. Proxy-voting records are available only at the firm level, and engagement examples and ESG metrics are not presently published at either the firm or strategy level.

Franklin Mutual Global Discovery I (acc) EUR

Franklin Mutual Global Discovery

ESG Commitment Level: Low

Asset Manager: Franklin Templeton

In a number of ways, the environmental, social, and governance effort at Franklin Mutual Global Discovery is just getting started. The fund earns a Morningstar ESG Commitment Level of Low.

ESG resources at Franklin Templeton, the parent company of this fund's advisor, Franklin Mutual Advisers, are limited. The firm's ESG team is quite small, and its leader left in March 2021. (That role is vacant for now.) The firm launched a stewardship and sustainability council in March that will include members from all 19 affiliates of the firm; its first order of business will be pulling together data from those groups, many of which are new to Franklin following its acquisition of Legg Mason in August 2020.

The effort at Franklin Mutual Advisers is in its early stages as well. The team now has a tool that contains ESG data from a number of providers as well as ESG ratings from affiliates that put out such ratings on securities, but the tool was just introduced in February. In a similar vein, Franklin Mutual's ESG ambassador, portfolio manager Tim Rankin, has been in that position for only about six months after his predecessor left the firm.

The impact of ESG factors on the fund's investment process is limited. The team has engaged with companies on corporate governance issues for decades, but environmental and social concerns enter the picture only when they pose material financial risks. Also, not all members of the team make use of the new ESG tool, and the team is not obligated to engage with companies regarding ESG issues.

Fundsmith Equity I Acc**Fundsmith Equity I EUR Acc**

ESG Commitment Level: Low

Asset Manager: Fundsmith

Fundsmith Equity adopts an unintentional approach to ESG and incorporates environmental and social considerations into its process in a limited way. It earns a Morningstar ESG Commitment Level of Low.

The fund does not have an ESG objective, but as part of Fundsmith's wider effort to own companies that are able to sustain high returns, ESG issues are considered. Traditional governance, however, is prioritised; it has been explicitly integrated into the investment process since inception. The firm is engaged in voting on governance matters and conducts all voting itself. However, voting tends to be limited to executive remuneration, business strategy, and product considerations, and is not in the wider spirit of promoting any environmental or social issues.

Despite not specifically targeting ESG metrics and being able to override any ESG considerations, the manager places an emphasis on finding companies that are able to generate and grow sustainable returns. This refers to companies where return on invested capital exceeds the weighted average cost of capital (companies that add value over time). The manager aims to invest in companies with good governance to ensure that reputational risk does not impede return objectives. Companies such as Philip Morris, Facebook, and Johnson & Johnson are deemed to fit the bill.

ESG disclosure is limited. Steps are being taken to provide a greater level of insight, but the first iteration of these additional detailed metrics is only expected to be released sometime in 2021 and will serve at the litmus test. The strategy has a long way to go beyond traditional governance.

Goldman Sachs Bond**Goldman Sachs Core Fixed Income****Goldman Sachs Global Core Income**

ESG Commitment Level: Basic

Asset Manager: Goldman Sachs

The Goldman Sachs bond team integrates environmental, social, and governance considerations in the funds' investment processes, but the impact of ESG factors on portfolio management decisions is still lower than more advanced peers. The strategy earns a Morningstar ESG Commitment Level of Basic.

Goldman Sachs has backed its sustainable investing effort with centralized resources, and the firm's global fixed-income platform also has dedicated ESG professionals, a proprietary analytical framework, and processes to address the specific needs of the asset class. The teams supporting the strategy integrate ESG data from many providers in addition to in-house research into their fundamental analyses, while the management team monitors the portfolio's ESG risk profile, flagging securities that need deeper research and potentially triggering engagement with issuers or changes in position sizes.

However, portfolio modifications purely driven by ESG factors have historically been ancillary. No screening of the investment universe or portfolio construction guidelines tilt the portfolio toward a higher sustainability profile or limit the discretion of the managers, who can override the analysts' ESG views at will.

Hartford Dividend and Growth

ESG Commitment Level: Low

Asset Manager: Wellington Management

Hartford Dividend and Growth's new manager, of subadvisor Wellington Management, has considerable firmwide environmental, social, and governance resources, but it isn't yet clear how central they are to his approach. The strategy receives a Morningstar ESG Commitment Level of Low.

Matthew Baker, who took over the portfolio on July 1, 2020, draws on Wellington Management's centralized ESG research team that provides ratings of 1 (Positive) to 5 (Negative) on more than 7,000 companies. Baker and the two other members of his dedicated team interact with Wellington's ESG analysts regarding their sector-specific insights, company engagements, and proxy-voting recommendations for potential and current portfolio holdings.

Baker makes use of these resources, but ESG considerations aren't always paramount. He does not rule out certain types of companies, such as fossil fuel businesses, and ESG controversies don't preclude a company from becoming a big position if it remains attractively priced. Baker and his team, for example, looked past Johnson Controls International's recent chemical liability, and the stock rose to a top-15 holding in January 2021.

There is room for further disclosure regarding the frequency and depth of Baker's interactions with Wellington's centralized ESG team. That team itself could also do more to clarify the link between its company engagements and proxy voting. According to its fourth-quarter 2020 global ESG research update, for example, Wellington rarely voted against company management in proxy proposals involving social issues during the period covered, even though more than half of its 170 total company engagements had a social component to them.

Hartford Schroders US MidCap Opps
Schroder ISF US Small & Mid Cap
Schroder US Mid Cap
Hartford Schroders US Small Cap Opps
Schroder US ISF Smaller Companies
Schroder US Smaller Companies

ESG Commitment Level: Basic

Asset Manager: Schroders

Hartford Schroders US MidCap Opps and Hartford Schroders US Small Cap Opps benefit from access to a well-resourced central environmental, social, and governance team and well-utilised proprietary tools. However, there is no obligation to meet specific ESG objectives, warranting a Morningstar ESG Commitment Level of Basic.

The eight members of these strategies' team tend to lean on a strong suite of ESG resources at Schroders in their ESG analysis. The group has built a large and experienced 20-person sustainable investment team. In addition, the group has developed proprietary ESG data platforms Context and SustainEx. Context is a framework for fundamental analysis, while SustainEx is a model that quantifies a single ESG score. The tools are fully integrated within Schroders' global research platform.

ESG considerations have been explicitly integrated into the process here since November 2019. The team aims to evaluate the relevance and materiality of a range of ESG factors regarding the sustainability of returns and potential risk factors for a company, as well as incorporate ESG risks into valuations. For example, companies may reflect ESG risks through a higher cost of capital, increased provisions, or a discount to a valuation. ESG factors are also considered when assessing risk and determining position sizes.

Company engagement and proxy voting are among the notable strengths here. The team has done proxy voting for years as active investors; it votes on all resolutions at all annual general meetings and extraordinary general meetings. In terms of engagement, the team engages with managements, including on ESG issues, regularly. For example, the team conducted 485 management meetings in 2019—all on ESG issues.

It is worth noting, however, that despite a meaningful level of ESG integration here, ESG is not central to the process. There are no ESG metrics that have to be hit, and the manager can continue to hold problematic firms as they engage with management regarding these issues. ESG outcomes do not drive decisions in isolation; rather, it is the overall quality of company and valuation that drives stock-selection decisions.

Invesco Global**VY Invesco Oppenheimer Global**

ESG Commitment Level: Low

Asset Manager: Invesco

Invesco Global receives a Morningstar ESG Commitment Level of Low. Although the manager incorporates some environmental, social, and governance aspects into his evaluation of companies, and Invesco has an ESG committee evaluating companies, the effect on the portfolio's composition is not enough to warrant a higher level of commitment.

Manager John Delano says he considers the sustainability of a company when assessing it for the portfolio, because he wants to own it for five to 10 years. (The strategy has a very low turnover rate.) But he focuses more on governance issues when doing so, noting that ESG is much more than the environmental portion. He does not own tobacco stocks, because he thinks it's illogical to own companies whose product is harmful to its own customers. He also tends to own very few mining stocks. But he notes that mining stocks provide an example of how it can be difficult to determine whether his investment decisions are based on ESG factors or traditional fundamental analysis: He says mining stocks probably overearned in the past, and now they have the added burden of having to meet more stringent environmental standards, so he thinks they have weak earnings prospects.

Invesco has a thorough ESG program as a firm, including a team dedicated solely to ESG research. Delano says he interacts with that team frequently and takes its views into account. But he says he won't avoid or sell a stock simply because it has low ESG scores. There is no analyst assigned to the fund with specific ESG expertise or mandate. Overall, ESG considerations do not take the substantial and influential role in portfolio construction that would merit a higher ESG Commitment Level.

Invesco Main Street**MassMutual Premier Main Street**

ESG Commitment Level: Low

Asset Manager: Invesco

Invesco Main Street receives a Morningstar ESG Commitment Level of Low because it is not an intentional environmental, social, and governance fund, and it doesn't try to be one. Lead portfolio manager Mani Govil has never included any specific ESG screens in his process, even though the profitable blue chips that the fund holds have tended to look pretty good from an ESG perspective.

Invesco, which bought the fund's former parent Oppenheimer in 2018, has stepped up its ESG efforts. In 2019, the firm hired a global head of ESG, Cathrine de Coninck-Lopez, who oversees a 13-person team of ESG analysts and specialists (as of April 2021), in addition to other ESG resources at the firm. This team provides ESG data and analysis to all of Invesco's investment teams, including third-party data and descriptions as well as internal analysis.

Investment teams are supposed to incorporate this information into their security-selection process, but in practice there are no firmwide requirements on how it should be used and no restrictions on which stocks portfolio managers can hold. Invesco plans to incorporate ESG capabilities into its entire fund lineup by 2023, but it's not clear what restrictions there will be, if any. As of early 2021, ESG factors only played a very peripheral role, at most, in the Main Street team's investment process.

iShares € Corp Bond 0-3yr ESG ETF

ESG Commitment Level: Advanced

Asset Manager: BlackRock

This strategy employs a mix of exclusions and best-in-class selection. This warrants a Morningstar ESG Commitment Level of Advanced.

The fund tracks the Bloomberg Barclays MSCI Euro Corporate 0-3 Sustainable SRI Index, which provides exposure to a basket of investment-grade-rated bonds denominated in euros issued by corporations that carry an MSCI ESG rating of BBB or higher. This is an investment proposition with a short-dated focus and only includes bonds with up to three years of remaining maturity.

The incorporation of environmental, social, and governance criteria into the strategy is done in three stages. First, the index screens issuers of the non-ESG parent index—Bloomberg Barclays Euro Aggregate Corporate—for business involvement to exclude those involved in the following sectors: alcohol, tobacco, gambling, adult entertainment, civilian firearms, military weapons, nuclear power, and genetically modified organisms. Issuers who derived more than 5% of revenue from business activities related to thermal coal or oil sands are also excluded.

The resulting universe of issuers is screened for ESG ratings based on MSCI methodology. All issuers with an MSCI ESG rating below BBB are excluded. This is done on a sector basis. Finally, remaining issuers are screened for MSCI ESG controversies to expel those in significant breach of ESG norms. Issuers with a "Red" MSCI controversies score are excluded.

The risk/return profile of ESG indexes for investment-grade-rated corporate issuers from developed countries is typically very similar to that of their non-ESG parent indexes. This is particularly so in the case of the European corporate market where compliance with ESG criteria is high. In the case of this strategy, the multilayered screening only results in the exclusion of around 30% of the bonds in the initial universe. As a result, this ESG strategy displays tight tracking error relative to its non-ESG-screened parent, but this should not be interpreted as a sign of weakness in the screening process.

Overall, this strategy should appeal to ESG-conscious investors seeking a short-dated-focused proposition that goes beyond basic exclusions.

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Overall, this strategy should appeal to ESG-conscious investors seeking something that goes beyond basic exclusions.

iShares ESG Aware MSCI EM ETF

ESG Commitment Level: Basic

Asset Manager: BlackRock

iShares ESG Aware MSCI Emerging Markets ETF modestly leans toward stocks listed in emerging markets with strong environmental, social, and governance ratings. It earns a Morningstar ESG Commitment Level of Basic.

This fund tracks the MSCI Emerging Markets Extended ESG Focus Index. It eliminates firms in controversial lines of business, including tobacco, controversial weapons, civilian firearms, oil sands, and

thermal coal. MSCI assigns an ESG rating to the remaining stocks based on how well they manage financially material ESG risks and opportunities compared with their industry peers. Rating stocks against industry competitors allows the strategy to more fairly assess a firm's ESG strengths and weaknesses as some are at a disadvantage based on their lines of business.

The strategy uses an optimizer to maximize its exposure to stocks with high ESG ratings while keeping its expected tracking error to the MSCI Emerging Markets Index at 1.0%. That means the fund should offer better exposure to firms with strong ESG characteristics, but it isn't likely to have the strongest ESG profile in the diversified emerging markets Morningstar Category. It has an Above Average Morningstar Sustainability Rating, while iShares MSCI Emerging Markets ETF, which tracks its parent index, lands at Below Average. Over the long run, it should perform a lot like the MSCI Emerging Markets Index.

The optimizer's constraints limit the fund's ability to incur more active risk and more heavily favor stocks with the highest ESG ratings. The strategy's tight tracking error constraint and industry-relative ESG scoring approach means it may hold stakes in companies that some ESG investors would rather avoid. This includes stocks from the energy and materials sectors that score better than industry peers but may not have the most environmentally friendly businesses. Russian oil company Lukoil and Saudi Arabian chemical manufacturer Saudi Basic Industries are components of this portfolio.

iShares Global Water ETF

ESG Commitment Level: Low

Asset Manager: BlackRock

Although clean water and sanitation is one of the UN Sustainable Development goals, this fund is not specifically tailored to help further that goal; neither does it select or weight holdings based on other sustainability criteria. For this reason, the fund has been awarded a Morningstar ESG Commitment Level of Low.

Underpinning the fund is the S&P Global Water Index, which selects holdings based on their exposure to water equipment and materials, or water utilities and infrastructure clusters. While some holdings may have strong sustainable credentials, others like American Water Works are sprawling utilities that primarily operate in developed markets and boast no particular sustainability focus. A lack of even the most basic environmental, social, and governance screens means that this fund may invest in controversial stocks with questionable sustainable credentials.

This exchange-traded fund employs physical replication and currently engages in securities lending. As part of this process, the fund holds collateral as certain stocks are lent out. There are currently no ESG screens on the collateral basket and therefore there is no barrier to the fund holding stocks with undesirable ESG characteristics.

iShares JP Morgan ESG \$ EM Bd ETF

ESG Commitment Level: Basic

Asset Manager: BlackRock

Screening sovereigns for environmental, social, and governance factors does not deliver investment propositions that are substantially different from the parent universe. This strategy is awarded a Morningstar ESG Commitment Level of Basic.

The fund tracks the JP Morgan ESG EMBI Global Diversified Index, which provides exposure to bonds denominated in U.S. dollars issued by emerging-markets governments and quasi-government entities. It also includes a sliver of corporate bonds.

The index applies an ESG screening to the parent universe, tilted toward higher-ranking issuers, and underweights or removes those that rank lower. Issuers are ranked using JP Morgan ESG scores based on ESG metrics from Sustainalytics and RepRisk. The ESG scores are divided into five bands. Issuers in the bottom band are excluded and remain ineligible for one year when a new review is conducted. Nonsovereign issuers with revenues from thermal coal, those associated with tobacco or weapons industries, and those not in compliance with UN Global Compact principles are also excluded.

The ESG screening of sovereigns remains a work in progress. The metrics used to assess ESG credentials of governments are hardly different from those used in traditional credit rating analysis. As a result, the reweighting of components on ESG criteria typically results in portfolios tilted to issuers with higher credit ratings. Exclusions are not numerous, and they will not be triggered by politically sensitive issues such as, for example, a government's record on human rights.

In the case of this strategy, 90% of the parent universe is sovereigns and quasi-sovereigns, and exclusions in the ESG version are marginal. The reweighting means that tracking error relative to the non-ESG index can be high, but ultimately investors own the same issuers.

One may argue that this is the best ESG sovereign indexes can do, but the outcome comes across as the minimum from an ESG perspective.

iShares MSCI EMU ESG Enh ETF

ESG Commitment Level: Basic

Asset Manager: BlackRock

iShares MSCI EMU ESG Enhanced applies a combination of a light environmental, social, and governance screen and an optimized reweighting strategy to the MSCI EMU index. This twin approach goes further than exclusions-only strategies, but it still falls short of the punchier best-in-class strategies available. For this reason, the fund has been awarded a Morningstar ESG Commitment Level of Basic.

Underpinning the fund is the MSCI ESG Screened methodology. This strategy takes the parent index MSCI EMU universe and applies MSCI's proprietary Business Involvement screen that excludes companies in controversial subsectors such as nuclear weapons, tobacco, and thermal coal and oil sands extraction. The screening also seeks to exclude companies that are not compliant with the UN Global Compact. At the time of writing, just 13 stocks have been excluded. These exclusions can affect some large players; in this case pharmaceutical colossus Bayer **BAYRY** and aerospace giant Airbus **EADSY**, both amongst the 25 largest holdings in the parent index.

This strategy is designed to prevent exposure to basic controversies, and divestment of newly added exclusions only occurs at rebalance dates.

An optimiser is then used to reweight holdings to maximize exposure to environmental, social, and governance factors while reducing the carbon equivalent exposure to carbon dioxide and other greenhouse gases. The optimisation process also aims to reduce the potential emissions risk of fossil fuel reserves by 30%.

The exchange-traded fund employs physical replication and does not engage in securities lending, which negates potential concerns surrounding the ESG credentials of any collateral held. Overall, the fund employs a light-touch approach to ESG investing that limits active risk while avoiding allocations to the worst offenders in the eurozone large- and mid-cap equity market.

iShares MSCI EMU ESG Scrn ETF

ESG Commitment Level: Basic

Asset Manager: BlackRock

iShares MSCI EMU ESG Screened only applies a light environmental, social, and governance screen to the MSCI EMU index, and this limits the fund to a Morningstar ESG Commitment Level of Basic.

Underpinning the fund is the MSCI ESG Screened methodology. This strategy takes the parent index MSCI EMU universe and applies MSCI's proprietary Business Involvement screen that excludes companies in controversial subsectors such as nuclear weapons, tobacco, and thermal coal and oil sands extraction. The screening also seeks to exclude companies that are not compliant with the UN Global Compact.

This strategy is designed to prevent exposure to basic controversies, and divestment of newly added exclusions only occurs at rebalance dates. That said, offenders in the parent MSCI EMU index are few and far between. At the time of this review, the fund excludes just 11 of the 237 stocks held by the parent index. These exclusions can affect some large players; in this case pharmaceutical colossus Bayer **BAYRY** and aerospace giant Airbus **EADSY**, both amongst the 25 largest holdings in the parent index. But the light screening methodology has a less-convincing impact on elevating the portfolio's ESG credentials than more dedicated strategies on offer in this space.

The exchange-traded fund employs physical replication and does not engage in securities lending, which negates potential concerns surrounding the ESG credentials of any collateral held.

Overall, the fund employs a light-touch approach to ESG investing that limits active risk while avoiding allocations to the worst offenders in the eurozone large- and mid-cap equity market.

iShares MSCI Japan ESG Enh ETF

ESG Commitment Level: Basic

Asset Manager: BlackRock

iShares MSCI Japan ESG Enhanced applies a combination of a light environmental, social, and governance screen and an optimized reweighting strategy to the MSCI Japan index. This twin approach goes further than exclusions-only strategies, but it still falls short of the punchier best-in-class strategies available. For this reason, the fund has been awarded a Morningstar ESG Commitment Level of Basic.

Underpinning the fund is the MSCI ESG Screened methodology. This strategy takes the parent index MSCI Japan universe and applies MSCI's proprietary Business Involvement screen that excludes companies in controversial subsectors such as nuclear weapons, tobacco, and thermal coal and oil sands extraction. The screening also seeks to exclude companies that are not compliant with the UN Global Compact. At the time of this review, just nine stocks were excluded. These include rubber manufacturer Toyoda Gosei, which has been involved in antitrust violations.

This strategy is designed to prevent exposure to basic controversies, and divestment of newly added exclusions only occurs at rebalance dates.

An optimiser is then used to reweight holdings to maximize exposure to ESG factors while reducing the carbon equivalent exposure to carbon dioxide and other greenhouse gases. The optimisation process also aims to reduce the potential emissions risk of fossil fuel reserves by 30%.

The exchange-traded fund employs physical replication and does not engage in securities lending, which negates potential concerns surrounding the ESG credentials of any collateral held.

Overall, the fund employs a light-touch approach to ESG investing that limits active risk while avoiding allocations to the worst offenders in the Japanese large- and mid-cap equity market.

iShares MSCI Japan ESG Scrn ETF

ESG Commitment Level: Basic

Asset Manager: BlackRock

iShares MSCI Japan ESG Screened only applies a light environmental, social, and governance screen to the MSCI Japan index, and this limits the fund to a Morningstar ESG Commitment Level of Basic.

Underpinning the fund is the MSCI ESG Screened methodology. This strategy takes the parent index MSCI Japan universe and applies MSCI's proprietary Business Involvement screen that excludes companies in controversial subsectors such as nuclear weapons, tobacco, and thermal coal and oil sands extraction. The screening also seeks to exclude companies that are not compliant with the UN Global Compact.

This strategy is designed to prevent exposure to basic controversies, and divestment of newly added exclusions only occurs at rebalance dates. That said, offenders in the parent MSCI Japan index are few and far between. At the time of this review, the fund only excludes nine of the 301 stocks held by the parent MSCI Japan Index. These exclusions can affect some large players, in this case owner of the 7/11 retail chain Seven & I Holdings and Japanese Tobacco, both of which are among the 50 largest holdings in the parent index.

The exchange-traded fund employs physical replication and does not engage in securities lending, which negates potential concerns surrounding the ESG credentials of any collateral held.

Overall, the fund employs a light-touch approach to ESG investing that limits active risk while avoiding allocations to the worst offenders in the Japanese large- and mid-cap equity market.

iShares MSCI KLD 400 Social ETF

ESG Commitment Level: Advanced

Asset Manager: BlackRock

iShares MSCI KLD 400 Social ETF screens all stocks involved in either controversy or controversial lines of business, then selects those with the best environmental, social, and governance scores from each sector. The fund uses constraints to curb active risk, but nonetheless offers focused ESG exposure. It earns a Morningstar ESG Commitment Level of Advanced.

This fund tracks the MSCI KLD Social 400 Index, which pulls constituents from the broad MSCI USA Index. It immediately filters out all stocks that derive revenue from controversial operations, like those related to alcohol, tobacco, civilian firearms, or adult entertainment. The index screens out all companies tied to controversy as well. Wells Fargo WFC, for example, was put in the penalty box after its fraudulent account scandal came to light in 2016.

The index selects the stocks with the best ESG scores from each sector until the portfolio's sector composition approximates that of its parent index. Matching the MSCI USA Index's energy allocation requires the inclusion of some fossil fuel companies. While this softens the fund's ESG tilt a bit, this "best-in-class" approach sweeps in highly rated companies from the energy sector as well as the market's other sectors.

The index employs MSCI's ESG ratings to measure stocks' ESG merit. These ratings reflect firms' exposure to relevant industry risks and opportunities, fitness to manage the risks and seize the

opportunities, and corporate governance. Considering ESG issues that are most relevant to each industry should be more effective than a one-size-fits-all approach. For example, MSCI may evaluate a technology firm on its data security practices and an industrial manufacturer on its toxic waste emissions.

Despite tethering its sector allocation to its parent index, this portfolio has space to deliver distinguished ESG exposure. Its active share (a measure of how different the portfolio is from the parent index) was 50% at the end of March 2021.

iShares ESG MSCI EM Leaders ETF

ESG Commitment Level: Advanced

Asset Manager: BlackRock

iShares ESG MSCI Emerging Markets Leaders ETF is designed to focus on the stocks with the strongest environmental, social, and governance characteristics from each sector of the emerging-markets universe. It earns a Morningstar ESG Commitment Level of Advanced.

This strategy is built around MSCI's ESG ratings. MSCI evaluates each stock's ESG profile based on how well it manages its ESG-related risks and opportunities. Environmental and social ratings are specific to each GICS subindustry, while governance assessments are the same across all industries. Comparing each company's environmental and social risks against its peers' helps the strategy more fairly assess how well each firm manages risks unique to its line of business. For example, firms with close ties to fossil fuels face different environmental risks than information technology companies.

The strategy selects stocks from the broad pool that remains but prioritizes the largest stocks and those with the highest ESG ratings from each sector. It adds names until it reaches half of each sector's cumulative free-float-adjusted market cap. This approach allows the portfolio to hold the names with the strongest ESG scores in each sector while avoiding preferential treatment of firms in ESG-friendly sectors.

Focusing on the strongest ESG names adds to the portfolio's active risk. Its historical tracking error has consistently been above 2%, so its performance will likely deviate from the MSCI Emerging Markets Index.

The strategy's sector-relative approach means it may have positions in companies that some ESG investors would rather avoid. This includes stocks from the energy and materials sectors that score better than industry peers but may not have the most environmentally friendly businesses. Russian oil company Gazprom and Saudi Arabian chemical manufacturer Saudi Basic Industries are components of this portfolio.

Janus Henderson Fixed Income

ESG Commitment Level: Basic

Asset Manager: Janus Henderson

Janus Henderson Australian Fixed Interest takes reasonable steps to integrate environmental, social, and governance factors into its process, warranting a Morningstar ESG Commitment Level of Basic.

The ESG philosophy underpinning the strategy goes beyond simply identifying the financial risks of the underlying securities. It emphasizes providing capital to companies that can be beneficial to the broader economy and society. The team uses third-party data to collect and assess ESG information as well as apply its proprietary research. Concerns about issuers are addressed by a thorough level of engagement in order to fully understand what is being done in response. Positively, the ESG assessment impacts the investment universe. However, the team is still prepared to invest in names that represent medium ESG risks if the issuers are committed to fixing contentious matters. The team doesn't rush to sell if ESG risks arise, though it will do so if it sees a material risk of a significant decline in a bond's valuation. As such, portfolio managers have wide discretion in interpreting ESG risks and can hold securities with questionable ESG characteristics at times.

The team has a dedicated ESG specialist, but positively, the whole investment team is involved in the ESG assessment. While we are disappointed to see an earlier departure of an associate portfolio manager who was intimately involved in developing ESG framework, we are confident the current team is well-versed across the ESG process.

Janus Triton

ESG Commitment Level: Low

Asset Manager: Janus Henderson

Although the managers of Janus Henderson Triton aim to own well-managed businesses and will often engage with management teams around traditional stewardship issues, environmental, social, and governance considerations are not systematically driving their investment decisions. The strategy receives a Morningstar ESG Commitment Level of Low.

ESG considerations play a role in the managers' investment decisions, but it's just part of the overall mosaic of data sources. As bottom-up, fundamental growth investors, they'll consider factors they think are conducive to the long-term success of the businesses they own, but they are reticent to base their investment decisions on any one in particular, ESG or otherwise. ESG data points factor into their judgments around valuation and portfolio construction in the same way that any other useful data points factor in. For instance, the managers meet monthly with Janus Henderson's governance and responsible investing team to review ESG risks in the portfolio. However, stocks lagging on ESG metrics can be kept in the portfolio if the team thinks they remain compelling investments. Similarly, there are no formal screens or thresholds for companies to clear before being potentially added to the portfolio.

JP Morgan Large Cap Growth

ESG Commitment Level: Basic

Asset Manager: JPMorgan

JPMorgan Large Cap Growth's systematic consideration of environmental, social, and governance research earns the strategy a Morningstar ESG Commitment Level of Basic.

Lead manager Giri Devulapally's large-growth approach tends to yield an ESG-friendly portfolio. He and his team look for competitively advantaged firms with large addressable markets undergoing change. Devulapally does not manage an ESG-focused strategy, but his emphasis on areas of the market such as software, electronic payments, and digital advertising helps to mitigate ESG risks. For the same reason, the portfolio typically has small stakes in carbon-sensitive areas like energy. Besides, Devulapally's sector analysts evaluate each name under coverage using a 40-question ESG checklist to highlight ESG red flags, such as a firm's greenhouse gas emissions or labor relations issues. The team also has access to plenty of third-party ESG data.

Devulapally and his team do not have any ESG requirements, however. They maintain complete discretion over the degree to which ESG risks are considered in fundamental analysis and portfolio construction. JPMorgan uses a proxy-voting committee to cast proxy votes, but the committee discusses voting regularly with the investment analysts. Devulapally's team often engages with company management about ESG concerns, but typically these surround governance issues. Reporting about ESG engagements and proxy voting is solid at the firm level, but there's room for improvement at the strategy level.

JPM Global Income

JPM Multi-Asset Income

JPMorgan Income Builder

JPMorgan Multi Income

ESG Commitment Level: Low

Asset Manager: JPMorgan

JPM Global Income benefits from the environmental, social, and governance research of its underlying investment teams, but its process lacks explicit attention to ESG risks, warranting a Morningstar ESG Commitment Level of Low.

ESG concerns are not top of mind for veteran manager Michael Schoenhaut—income is. Schoenhaut invests in strategies that will consider companies' environmental and social practices, but they don't sway his asset-allocation decisions as much as his focus on identifying yield trading at an acceptable level of risk. In a sustained low-rate environment, income-yielding asset classes can often operate like an ESG minefield: Securities with a higher cost of capital, which drives yield, often carry material ESG risks. This strategy does not make an explicit effort to subvert that relationship; instead, Schoenhaut will try to thread that needle in the sustainable version of this strategy launched in Europe in 2020.

In recent years, JPMorgan's ESG team led by Jennifer Wu has made palpable enhancements to incorporate ESG risk assessments into its bottom-up, fundamental research. Her efforts do have an impact in some corners of this strategy, which holds a mix of active and rules-based strategies. On balance, though, the strategy has limited dedicated personnel resources for ESG relative to allocation strategies offered by other firms more focused on sustainability.

Jupiter European

Jupiter European Growth

ESG Commitment Level: Basic

Asset Manager: Jupiter

Jupiter European and Jupiter European Growth benefit from access to Jupiter's well-resourced environmental, social, and governance team and proprietary ESG tools, but these strategies have taken some steps of their own. Each earns a Morningstar ESG Commitment Level of Basic.

The managers assess ESG risks as part of their wider analysis on stocks. They perform their own ESG analysis with help from the group's internal ESG tools, but they also receive an independent view from the central ESG team at Jupiter, giving two layers of ESG assessment. However, the managers still have discretion over what they buy (excluding restrictions) and are not precluded from owning ESG laggards if they can prove they have sufficiently considered ESG risks.

Beyond regulatory restrictions, the managers cannot invest in small arms, thermal coal, tobacco, or oil and gas extraction and exploration. It should be noted that the process naturally leads them away from these industries anyway, given the aim to find high-quality companies with long-term earnings growth. On the other hand, it would be unfair to assume the strategy's ESG credentials are purely driven by these restrictions or the types of companies they prefer. ESG risks or opportunities are also factored into overall conviction, although alone they do not drive portfolio construction decisions.

The managers and investment team are heavily involved with corporate engagement and proxy voting, but they also have significant help and guidance from the central team. On voting, they will usually vote in line with the central team's recommendation but may occasionally differ if they think another course of action—engagement, for example—is preferable. If this occurs, they must justify why they have not followed recommendations. Engagement by the investment team can consist of ongoing or single engagements, depending on the issue at hand.

On the whole, there are structures in place that should lead to ESG considerations having some material impact on Jupiter European and Jupiter European Growth.

Jupiter Merlin Conservative Portfolio**Jupiter Merlin Balanced Portfolio****Jupiter Merlin Growth Portfolio****Jupiter Merlin Income Portfolio**

ESG Commitment Level: Basic

Asset Manager: Jupiter

Funds of funds have certain limitations when implementing environmental, social, and governance considerations, but these funds are on a commendable path. The team's active engagement with the underlying managers and a purpose-built ESG framework helps the fund earn a Morningstar ESG Commitment Level of Basic.

The Merlin team is headed by the experienced John Chatfeild-Roberts. He and Algy Smith-Maxwell have been at the helm for over two decades. Long-standing team member Amanda Sillars and analyst George Fox are particularly focused on ESG aspects for the strategy. This duo has been instrumental in designing an ESG framework that fits the fund-of-funds structure here. The team has been engaging with the underlying managers on various ESG aspects since 2017. This includes their status regarding various industrywide ESG initiatives, UN PRI, and UK stewardship codes, as well as their stock-lending and voting policies. But as far back as 2011, the team has been taking a proactive approach with the managers, encouraging them to report on their governance policies and engagement with investee companies in a transparent manner. Each position is assessed using a nine-point ESG scoring matrix that utilises the data collected from the underlying manager and marries it with third-party data sets to get an unbiased ESG footprint of the fund. The matrix covers distinct ESG and climate change aspects that have been identified by the team and analyses the group's policies, engagement examples, and outcomes over the prior six months.

There is also the ability to lean on Jupiter's sizable ESG team, of which we have a positive view. Despite the structural limitations here, the team is ahead of its peers in integrating various ESG aspects into its process. A belief in investing with high-conviction and long-term-oriented managers, often holding them for many years, gives the team a strong base to help influence underlying managers. Still, there's room for improvement. The team could provide more transparency into its ESG scoring metrics, its reporting on outcomes of engagement with managers, and its overall ESG reporting at the fund level.

Loomis Sayles Bond**Loomis Sayles Multisector Inc****Loomis Sayles Investment Grade Bond****Loomis Sayles Strategic Income**

ESG Commitment Level: Low

Asset Manager: Loomis Sayles

The integration of environmental, social, and governance considerations into the Loomis Sayles bond strategies is not prominent, and resources dedicated to sustainable investing are thin, underpinning a Morningstar ESG Commitment Level of Low.

The managers lack sustainable investing expertise, and the firm does not have dedicated ESG team. Instead, the centralized credit research group is charged with integrating ESG considerations into fundamental analyses. The analysts combine multiple third-party ESG data sources to generate a proprietary ESG score for each corporate issuer, but the research team has yet to integrate these ESG scores into their valuations of securitized fare and government-related debt.

While the strategy's leadership team recognizes that ESG factors must be accounted for to achieve superior long-term risk-adjusted investment results, their integration here is rather limited. ESG factors are one of many inputs to fundamental research and security valuations, but they have no material impact on portfolio management decisions. The managers don't run the strategy against any ESG metric and maintain full discretion over the portfolio.

Loomis Sayles Core Plus Bond

ESG Commitment Level: Low

Asset Manager: Loomis Sayles

Loomis Sayles Core Plus Bond doesn't incorporate environmental, social, and governance considerations in a consistent way. The strategy earns a Morningstar ESG Commitment Level of Low.

The strategy's leadership team believes that ESG factors and traits are important considerations when investing, but they ultimately represent a small subset of the many data points that drive decisions.

Unlike some peers, the strategy's team does not work closely with dedicated ESG research professionals. Instead, the portfolio managers here rely on the firm's large and experienced centralized credit research group that performs rigorous fundamental analysis across industries. They will engage with corporate management teams, but improvement in ESG practices is not emphasized. The deep analyst team also draws on multiple third-party ESG-focused data sources to supplement this in-depth analysis. Analysts combine these inputs to generate a proprietary ESG score for each corporate bond. Low marks do not prohibit investment, while high scores do not mandate the bond's inclusion. Other sectors widely held in this strategy, like securitized fare and government-related debt, are not evaluated

in this manner and remain a work in progress. As such, the management team here has the discretion to use ESG data and related tools into the portfolio as and when it sees fit.

Loomis Sayles Mgd Acct Med (10 Yr) Muni

ESG Commitment Level: Low

Asset Manager: Loomis Sayles

Environmental, social, and governance considerations have very limited impact on Loomis Sayles Managed Account Medium (10 Yr) Muni, warranting a Morningstar ESG Commitment Level of Low.

Loomis Sayles' municipal-bond team lacks sustainable investing expertise, and the firm does not have a dedicated ESG team. Instead, the centralized credit research group is tasked with integrating ESG factors into fundamental analyses, but the impact of such factors on portfolio management is ancillary at best. Ultimately, the Loomis Sayles muni team can buy any credit, regardless of the issuers' ESG characteristics, and it does not run the portfolio against any ESG metrics.

Lyxor ESG Euro Corporate Bond ETF

ESG Commitment Level: Basic

Asset Manager: Lyxor

This strategy employs a mix of exclusions and best-in-class selection. This warrants a Morningstar ESG Commitment Level of Basic.

The fund tracks the Bloomberg Barclays MSCI Euro Corporate Liquid SRI Sustainable Index, which provides exposure to a basket of highly liquid investment-grade-rated bonds denominated in euros issued by corporations that carry an MSCI ESG rating of BBB or higher.

The incorporation of environmental, social, and governance criteria into the strategy is done in three stages. First, the index screens issuers of the non-ESG parent index—Bloomberg Barclays Liquid Euro Corporate—for business involvement to exclude those involved in the following sectors: alcohol, tobacco, gambling, adult entertainment, civilian firearms, military weapons, nuclear power, and genetically modified organisms. Issuers who derived more than 5% of revenues from business activities related to thermal coal, generation of thermal coal, or oil sands are also excluded.

The resulting universe of issuers is screened for ESG ratings based on MSCI methodology. All issuers with an MSCI ESG rating below BBB are excluded. This is done on a sector basis.

Finally, remaining issuers are screened for MSCI ESG controversies to expel those in significant breach of ESG norms. Issuers with a "Red" MSCI controversies score are excluded.

The risk/return profile of ESG indexes for investment-grade-rated corporate issuers from developed countries is typically very similar to that of their non-ESG parent indexes. This is particularly so in the

case of the European corporate market, where compliance with ESG criteria is high. In the case of this strategy, the multilayered screening only results in the exclusion of around 30% of the bonds in the initial universe. As a result, this ESG strategy displays tight tracking error relative to its non-ESG screened parent, but this should not be interpreted as a sign of weakness in the screening process.

Overall, this strategy should appeal to ESG-conscious investors seeking something that goes beyond basic exclusions.

M.D. Sass 2-year FI**M.D. Sass Core Fix-Inc**

ESG Commitment Level: Low

Asset Manager: M.D. Sass

M.D. Sass 2-year Fixed-Income and Core Fixed-Income is not affected in any way by environmental, social, and governance considerations, warranting a Morningstar ESG Commitment Level of Low.

M.D. Sass does not have dedicated ESG resources and does not intend to incorporate ESG considerations into the management of the strategy. From the investment universe to the fundamental research, the investment decisions, or the risk monitoring, virtually no part of the management of this strategy is influenced by ESG dimensions.

Magellan Global (Hedged)**Magellan Global Closed Class****Magellan Global Open Class**

ESG Commitment Level: Basic

Asset Manager: Magellan

Although Magellan's analysts include environmental, social, and governance risk factors in their analysis, this strategy's portfolio manager retains discretion to incorporate ESG analysis relative to valuation into portfolio management decisions. A lack of transparent reporting also detracts from the effort. We subsequently assign Magellan Global a Basic Morningstar ESG Commitment Level.

This strategy's valuation-based approach to ESG considers the materiality of ESG risks through individual ratings of each company's ESG profile. These scores are a direct input into the aggregate business risk score, which impacts the quality score of an individual company and in turn affects portfolio construction. A firmwide exclusion policy applies for companies involved in the production of tobacco and controversial weapons, as well as those engaged in 'high roller' casino gaming. The strategy also avoids companies with commoditylike economics—resources, materials and utilities, for instance. While ESG considerations are incorporated into the assessment of an individual stock, portfolio management decisions are approached through the lens of how material ESG issues are relative to their assessment of valuation.

CIO Hamish Douglass relies on Magellan's team of 31 investment professionals to implement this strategy's ESG approach. Analysts access data and information on ESG issues relevant to the companies within both their investment universe and portfolio holdings from a variety of sources to formulate a rating within overall quality scores, with no reliance on external ratings.

Magellan's Governance & Advisory team oversees proxy-statement evaluation and voting for investee companies, with recommendations put to the portfolio managers for final veto. Similarly, the oversight team, portfolio managers, and stock analysts are involved in engagement with companies on corporate governance issues. It focuses its engagement on material issues, particularly those that could affect future cash flows. Reporting on the look-through carbon footprint of the portfolio is provided, but other ESG disclosures are limited compared with peers. Magellan does not currently publish disclosures around engagement with portfolio companies on ESG matters.

MFS Growth Equity**MFS International Equity****MFS International Intrinsic Value Equity****MFS International Research Equity****MFS Mid Cap Growth Equity**

ESG Commitment Level: Basic

Asset Manager: MFS

These five MFS equity strategies utilize environmental, social, and governance research as part of its overall assessment of companies' long-term investment merits; they each earn a Morningstar ESG Commitment Level of Basic.

These strategies' long investment horizon is a natural ally to ESG considerations. The managers lean on MFS' talented central research team, which includes more than 60 equity analysts, to integrate ESG data into its broader analyses of companies. Analysts have access to both an internal, four-member sustainability research team as well as multiple external ESG data providers, which they supplement with their own qualitative company research. That said, ESG is not used in a top-down fashion, and the portfolio managers do not incorporate any exclusionary screens to the investment approach.

Instead, the research analysts incorporate ESG concerns into their traditional financial models, which affect their fair value assessments and thereby the comanagers' portfolio-level decisions and position sizing. For instance, the managers sold out of Altice USA in that portfolio after an analyst downgraded the security on declining customer satisfaction scores. Poor customer feedback had an impact on the analyst's view of the company's future revenue growth, cost of capital, and margin potential, which ultimately lowered the team's long-term valuation estimate. The portfolio managers ultimately retain complete discretion over portfolio-level decisions, though, and are not required to sell on ESG concerns. Still, the research team's bottom-up effort and quality-growth approach pushes the fund toward companies with more sustainable business models. Indeed, the portfolio's ESG profile looks favorable, as

its Morningstar Sustainability Score and Carbon Risk Score consistently rank among the best within the mid-cap growth space.

There is room to grow, however. The comanagers here are not as actively engaged with company management on ESG issues as higher-rated peers. Greater disclosure on its active ownership practices would be beneficial to investors. Additionally, proxy voting is largely outsourced to MFS' central team.

Nanuk New World

ESG Commitment Level: Basic

Asset Manager: Nanuk

Nanuk New World has a strong sustainability focus and good environmental, social, and governance intentions; however, in the competitive global peer group, it lags its more advanced offerings in terms of dedicated ESG resources, engagement, and public reporting. As such, the strategy currently earns a Morningstar ESG Commitment Level of Basic.

Nanuk New World is a sustainable thematic strategy, only investing in companies that generate at least 25% of their value from activities that contribute to improving global sustainability. This includes areas such as renewable energy, energy efficiency, sustainable agriculture, waste management, healthcare, and industrial process improvement. It is important to note that some investments may score poorly on ESG risk factor criteria (for example, carbon emissions and waste), so long as their output contributes to the supply chain of a sustainability outcome. ESG-focused investors need to be comfortable with this trade-off.

The investment team comprises five people, each responsible for researching and managing their own portfolios, which are then aggregated by the CIO with a risk oversight to the final portfolio. This puts a large burden on each portfolio manager to undertake both ESG and fundamental investment research on an investable universe of 1,200 stocks as well as undertake portfolio construction. Nanuk has been disadvantaged in its ESG efforts and corporate engagement relative to larger peers by a lack of scale, although we would expect to see improvement over time as assets grow. Public disclosure on ESG metrics and engagement also needs to improve, but pleasingly the firm is active in ESG thought leadership. Overall, there are promising foundations, but more needs to be done.

Neuberger Berman High Income

Neuberger Berman HY Bd

ESG Commitment Level: Basic

Asset Manager: Neuberger Berman

Neuberger Berman offers strong resources dedicated to sustainable investing, but the integration of environmental, social, and governance criteria in the high income bond team's investment process is rather limited. The strategy earns a Morningstar ESG Commitment Level of Basic.

Neuberger Berman has developed a well-resourced centralized ESG team, but these resources don't have a material impact on this strategy, and the non-investment-grade team running it is light on ESG expertise. Since its creation in 2017, Neuberger Berman's ESG research team has grown strong under ESG head Jonathan Bailey's leadership. With more than 14 years of experience in global ESG investing across international public and private markets, Bailey is one of the more seasoned ESG leaders in the asset-management industry. Bailey and his team work with the investment teams to enhance their tools and processes, but the investment team is responsible for doing ESG credit research and engagement. While lean, the growing ESG research team counts eight members with diverse backgrounds in sustainable investing and more than half a century in combined experience.

As part of the credit team's "Credit Best Practices" framework, it leverages ESG data from many providers and in-depth fundamental analysis to develop proprietary ESG scores for every issuer. Those scores affect the issuers' internal credit rating, but the ESG integration ends here. Unlike more ESG-intentional peers that screen out sectors from their investable universe to tilt the portfolio toward a higher sustainability profile, this strategy makes limited use of screening. Further, the managers retain full discretion to override the analysts' ESG views on portfolio holdings. Overall, the fund's process doesn't measure up well against its more sustainable peers.

Platinum Global

Platinum International

ESG Commitment Level: Low

Asset Manager: Platinum

Platinum International (Platinum Global Fund) is a solid strategy that boasts a diligent investment process that we like; however, environmental, social, and governance appraisal here is limited, warranting a Morningstar ESG Commitment Level of Low.

While the solid investment process of the firm has long incorporated ESG assessment for valuation and identification of financial risks purposes, the portfolio can hold names with poor ESG characteristics as long as the manager sees the valuation upside. The firmwide exclusions are limited to two criteria: tobacco and controversial weapons. While the investment team can exclude companies where ESG issues represent material financial risks on a case-by-case basis, the valuation is the primary driver in investment decision-making.

The investment team uses two third-party ESG data providers to collect and assess ESG information. If the team identifies any material ESG risks that can impact a company's risk, return, and long-term valuation, it will follow the engagement process to assess the impact of these risks on the stock's price. While we have long commended Platinum's thorough fundamental analysis, the focus here is predominantly on governance assessment, with social and environmental criteria taking a back seat. The portfolio managers have access to centrally stored ESG research and recommendations; however, they have full discretion to invest wherever they see fit rather than having a more systematic approach.

However, lately the firm has shown signs of prioritizing ESG by hiring a dedicated ESG specialist. While this is a positive step, we are yet to see the value this addition brings to the process.

Robeco Emerging Conservative Equity AUD**Robeco QI Emerging Conservative Equities****Robeco QI European Conservative Equities****Robeco QI Global Conservative Equities**

ESG Commitment Level: Basic

Asset Manager: Robeco

Although we consider Robeco a leader in sustainable investing, environmental, social, and governance factors play a more modest role in this Robeco QI Conservative Equities strategy, earning it a Morningstar ESG Commitment Level of Basic.

This fund applies a quantitative, rules-based systematic approach, combining a multidimensional risk factor with value, quality, and momentum factors. ESG considerations are embedded at several stages of the process; however, their impact on the overall portfolio is limited in our view.

Companies involved in activities related to controversial weapons, tobacco, thermal coal, palm oil, or UN Global Compact breaches are excluded from the investable universe. The team then integrates ESG considerations in its multifactor model, using the data-driven RobecoSAM Smart ESG score in the quality factor. While a company's ESG score influences its model rank, the impact is limited since the ESG score is diluted among roughly 30 variables used by the model with an emphasis on low-risk factors.

ESG criteria are also used as constraints in the optimisation algorithm. The portfolio's ESG score should be higher than the benchmark's, while the portfolio should also have less carbon impact than the benchmark. Although this steers the portfolio to more-sustainable companies on average, this is not a very high hurdle to meet and doesn't rule out investing in sustainability laggards.

The involvement of the portfolio managers in voting and engagement is negligible. They leverage on Robeco's extensive active ownership team. Still, engagement can have an impact on the portfolio, since a position weight is automatically halved when a company is put under enhanced engagement and will be sold when the case is closed unsuccessfully.

We appreciate that Robeco started to report on ESG metrics in its fund factsheets in 2021. Additionally, we believe its proxy-voting records provide investors with detailed information, and reporting on voting and engagement activities at the firm level provides valuable insight.

Schroder Asian Asset Income**Schroder Asian Income****Schroder Asian Income SGD**

ESG Commitment Level: Basic

Asset Manager: Schroders

Schroder Asian Asset Income benefits from a well-resourced central environmental, social, and governance team, and a comprehensive proprietary ESG framework and tools. However, it does not have specific ESG objectives, and managers have the discretion to invest in lower-scoring companies, earning it a Morningstar ESG Commitment Level of Basic.

One of the strengths here is the resources. Schroders has two proprietary ESG data platforms: Context and SustainEx. Context is a stakeholder framework that guides fundamental analysis. It consists of the Asia Context and Credit Context, which guide the equity and credit analysts, respectively, in forming a qualitative ESG opinion on the companies covered. SustainEx is a data set that quantifies a company's social costs into a single ESG score and is an input that analysts use in their qualitative ESG analysis. A large 21-person central ESG team supports the firm, which includes a dedicated ESG analyst based in Asia, who was hired in March 2020 to review ESG scores and drive active engagement, demonstrating commitment to ESG integration.

The team has always had a strong focus on governance aspects, such as management track record and capital allocation policies. Since 2020, governance, along with environmental and social, considerations have been explicitly formalized into the investment process via the Context framework. Asia Context and Credit Context both have explicit questions that analysts must address for covered companies, resulting in individual E, S, and G pillar scores and an overall ESG score. When it comes to portfolio construction, there are exposure limits on the lower-scoring companies at the single stock and aggregate level within equities, but otherwise there are no minimal ESG targets that must be met, and managers are not prevented from investing in the lower-scoring names.

Overall, significant steps have been made to integrate ESG considerations in this strategy's underlying equity and bond sleeves' investment processes; however, they have had a limited impact on the portfolio's ESG characteristics so far.

State Street Climate ESG Intl Eq

ESG Commitment Level: Basic

Asset Manager: State Street

State Street Climate ESG International Equity benefits from a sizable centralised environmental, social, and governance research team and State Street's gargantuan resource backing. The strategy has a primary focus on reducing exposure to climate change risk. However, the focus is narrow, with only minor portfolio tilts, earning it a Morningstar ESG Commitment Level of Basic.

State Street aims to generate largely indexlike returns whilst achieving meaningful ESG outcomes, reducing the friction investors face when choosing between positive ESG outcomes and broad market exposure. The strategy aims to align with the goal of the Paris Agreement to limit global warming to less than 2 degrees Celsius. To this effect, the fund targets several factors, though most are based around carbon emissions. Exclusionary screens are first applied to the investable universe, removing the worst polluters, UN Global Company violators, and companies involved in controversial weapons, tobacco, and thermal coal. Several third-party ESG data providers are used to measure a wide range of climate metrics, resulting in a portfolio that reduces exposure to brown revenues, fossil fuel revenues, greenhouse gas emissions intensity, and increases exposure to green revenues. Additionally, the strategy has positive exposure to companies likely to adapt and benefit from the climate change and companies that score well on State Street's proprietary 'R-Factor' score. 'R-Factor' is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board's Materiality Map, corporate governance codes, and inputs from a platform of ESG data providers.

The overall approach is sensible for a large diversified global equities portfolio with commendable ESG outcomes, though the focus is narrow.

State Street EUR Sust Corp Bd Idx

ESG Commitment Level: Advanced

Asset Manager: State Street

This strategy employs a mix of exclusions and best-in-class selection that underpins a Morningstar ESG Commitment Level of Advanced.

The fund tracks the Markit iBoxx Euro Sustainable Corporate Custom Index, which includes fixed-rate, investment-grade-rated corporate bonds denominated in euros from issuers screened on environmental, social, and governance criteria.

The ESG screening is done in two stages. First, the index screens issuers of the non-ESG parent index—Markit iBoxx Euro Corporate Bond—using Sustainalytics' ESG metrics. This is done on a sector basis. The top 50% for each sector is retained and the bottom 50% discarded.

The resulting universe is screened for business involvement to exclude companies involved in serious controversies. Companies qualify if: a) issuer is not involved in controversies (for example, nuclear, tobacco, arms); b) issuer does not draw substantial income from controversial activities (that is, typically less than 30%); c) issuer is not active in a high-risk sector; d) issuer qualifies for the criteria on animal testing and genetically modified organisms.

Caps are applied to the final portfolio to avoid single-company and sector concentration and to ensure diversification across credit ratings.

The risk/return profile of ESG indexes for investment-grade-rated corporate issuers from developed countries is typically very similar to that of their non-ESG parent indexes. This is particularly so in the case of the European corporate market where compliance with ESG criteria is high. In the case of this strategy, the comprehensive screening typically results in the exclusion of around 45% of the bonds in the initial universe. Despite this, this ESG strategy displays tight tracking error relative to its non-ESG-screened parent.

Overall, this passive strategy should appeal to ESG-conscious investors seeking something that goes beyond basic exclusions.

T. Rowe Price Floating Rate

T. Rowe Price Instl Floating Rate

T. Rowe Price High Yield

T. Rowe Price Instl High Yield

ESG Commitment Level: Low

Asset Manager: T. Rowe Price

The integration of environmental, social, and governance factors into the management of these T. Rowe Price bond strategies is minimal, meriting a Morningstar ESG Commitment Level of Low.

T. Rowe Price has built out commendable ESG resources at the firm level. The firm's responsible investing team, which counts 14 dedicated analysts, leverages proprietary and third-party data sources as well as ESG-focused engagements to evaluate companies.

However, the impact of those resources on this strategy is negligible. While portfolio managers and analysts on the high-yield research team have access to the responsible investing team's analyses and incorporate ESG factors into their issuer valuations and ratings, no portfolio management decision is noticeably driven by ESG factors. Additionally, no screening of the investment universe or portfolio construction guidelines tilt the portfolio toward a higher sustainability profile or limit the discretion of the managers.

T. Rowe Price Global Growth Equity

T. Rowe Price Global Equity (Hedged)

T. Rowe Price Global Equity I

T. Rowe Price Global Equity M

T. Rowe Price Global Growth Stock

T. Rowe Price Global Equity Growth

ESG Commitment Level: Low

Asset Manager: T. Rowe Price

T. Rowe Price Global Growth Equity doesn't take substantial steps to incorporate environmental, social, and governance factors into its process, warranting a Morningstar ESG Commitment Level of Low.

Portfolio manager Scott Berg is aware of ESG risks and considerations, though these don't play an integral role in this strategy's approach. Portfolio management at T. Rowe Price is largely free from ESG constraints as, although the firm's analysts include ESG factors into their company research reports, there is little that requires the firm's managers to incorporate ESG analysis into portfolio management decisions. This strategy does exclude tobacco stocks, and Berg states an avoidance of stocks that rank poorly in the firm's proprietary rating system, though this isn't a formal requirement. The firm's analysts and portfolio managers use this system, alongside some external data providers, to evaluate and rank individual securities on various ESG risks and factors, but ultimately it is up to each portfolio manager for wider ESG implementation. There aren't any minimum ESG thresholds for this portfolio, and the degradation of a holding's sustainability profile does not trigger a systematic response.

T. Rowe has taken steps towards formalising its ESG approach, though this is a more recent development. The firm hired a dedicated director of research in 2017 who helped launch the proprietary scoring system in 2018 and has further built out the firm's ESG research team. The firm has long been active on company engagement, though this has historically been more focused on governance issues. We would also like to see more disclosure at the parent and strategy level, particularly as it relates to voting rationales and strategy-specific reports.

T. Rowe Price Growth Stock Fund**T. Rowe Price Growth Stock ETF****T. Rowe Price Growth Stock Trust**

ESG Commitment Level: Basic

Asset Manager: T. Rowe Price

T. Rowe Price Growth Stock does a good job of integrating environmental, social, and governance factors into its research process, but they do not influence portfolio construction decisions, warranting a Morningstar ESG Commitment Level of Basic.

ESG considerations play a part in the analysis of each company by T. Rowe Price's centralized bench of analysts. Efforts to formalize integration of ESG concerns into fundamental research, ongoing monitoring, and engagement ramped up in 2017 with the hiring of responsible investing head Maria Elena Drew. She built out a centralized team of ESG specialists and helped develop a proprietary ESG research system that is integrated within the firm's central research system and remains in use today. Manager Joe Fath's growth universe means he is a heavier user of the research than some of his counterparts at the firm. Managers at T. Rowe can still invest in companies that score poorly, and there are no additional screening or sell discipline requirements that dictate which names can or cannot be held based on ESG considerations alone. However, Fath engages with companies on ESG issues, specifically. Indeed, he's engaged with Amazon.com, which accounted for roughly 10% of the fund's portfolio as of March 2021, on several environmental and social issues.

T. Rowe could also improve its public disclosures of ESG metrics and proxy voting with more detail. This might include whether the portfolio manager was involved in voting and offer more detail on the logic behind the firm's votes. While this strategy does not boast an ESG mandate, better reporting would allow investors to make more informed investment decisions regarding their ESG exposures.

T. Rowe Price Health Sciences

ESG Commitment Level: Low

Asset Manager: T. Rowe Price

T. Rowe Price Health Sciences receives a Morningstar ESG Commitment Level of Low because its environmental, social, and governance integration efforts, while promising, are not top of mind in the management of this strategy.

ESG considerations play a part in the analysis of each company by T. Rowe Price's centralized bench of analysts. Efforts to formalize integration of ESG concerns into fundamental research, ongoing monitoring, and engagement ramped up in 2017 with the hiring of responsible investing head Maria Elena Drew. She helped build out a centralized team of ESG specialists and helped develop a proprietary ESG research system that is integrated within the firm's central research system and remains in use today. However, manager Ziad Bakri does not formally incorporate ESG considerations beyond research. He can invest in companies that score poorly, and there is no additional screening or sell discipline requirements that dictate which names can or cannot be held based on ESG considerations alone.

That said, T. Rowe has long focused on corporate governance issues as part of its regular research process, and Bakri is no different in this regard. Its efforts on the environmental and social fronts are minimal here, though. While ESG factors are considered, they don't have much of an impact on security selection or portfolio construction unless it weighs on the team's investment thesis for an individual company. ESG metrics reporting is not readily available for this strategy. Also, the firm could improve its proxy-voting reporting with more detail including whether the portfolio manager was involved in voting.

T. Rowe Price Instl Small-Cap Stock

T. Rowe Price Small-Cap Stock

ESG Commitment Level: Basic

Asset Manager: T. Rowe Price

T. Rowe Price Small-Cap Stock does a good job of integrating environmental, social, and governance factors into its research process, but they do not influence portfolio construction decisions, warranting a Morningstar ESG Commitment Level of Basic.

ESG considerations play a part in the analysis of each company by T. Rowe Price's centralized bench of analysts. Efforts to formalize integration of ESG concerns into fundamental research, ongoing monitoring, and engagement ramped up in 2017 with the hiring of Responsible Investing head Maria Elena Drew. She built out a centralized team of ESG specialists and helped develop a proprietary ESG

research system that is integrated within the firm's central research system and remains in use today. Manager Frank Alonso's growth-leaning approach means he is a heavier user of the research than some of his counterparts at the firm. Managers at T. Rowe can still invest in companies that score poorly, and there are no additional screening or sell discipline requirements that dictate which names can or cannot be held based on ESG considerations alone. However, Alonso engages with companies on ESG issues. While governance has long been a focus of T. Rowe's investment culture, Alonso also engages with companies on environmental and social issues.

T. Rowe could improve its public disclosures of ESG metrics and proxy voting with more detail. This might include whether the portfolio manager was involved in voting and offer more detail on the logic behind some of the firm's votes. While this strategy does not boast an ESG mandate, better reporting would allow investors to make more-informed investment decisions regarding their ESG exposures.

T. Rowe Price Mid-Cap Value

ESG Commitment Level: Low

Asset Manager: T. Rowe Price

T. Rowe Price Mid Cap Value does not take significant steps to incorporate environmental, social, and governance factors into its process, warranting a Morningstar ESG Commitment Level of Low.

ESG considerations play a part in the analysis of each company by T. Rowe Price's centralized bench of analysts. Efforts to formalize integration of ESG concerns into fundamental research, ongoing monitoring, and engagement ramped up in 2017 with the hiring of responsible investing head Maria Elena Drew. She helped build out a centralized team of ESG specialists and helped develop a proprietary ESG research system that is integrated within the firm's central research system and remains in use today. However, manager David Wallack does not formally incorporate ESG beyond this. Managers at T. Rowe can still invest in companies that score poorly, and there is no additional screening or sell discipline requirements that dictate which names can or cannot be held based on ESG considerations alone. Indeed, Wallack's investable universe in the value space offers several opportunities in oil and gas companies, for example, and he does not shy away.

That said, T. Rowe has long focused on corporate governance issues as part of its regular research process, and Wallack is no different in this regard. Its efforts on the environmental and social fronts are minimal here, though. While ESG factors are considered, they don't have much of an impact on security selection or portfolio construction unless it weighs on the team's investment thesis for an individual company. Wallack instead focuses on finding opportunities where a company is trading at a discount to the team's estimate of its intrinsic value irrespective of how it scores on traditional ESG criteria. ESG metrics reporting is readily available for this strategy, but the firm could improve its proxy-voting reporting with more detail including whether the portfolio manager was involved in voting and offering more detail on the logic behind some of its votes.

T. Rowe Price QM US Small & Mid-Cap Core Equity

ESG Commitment Level: Low

Asset Manager: T. Rowe Price

A nascent environmental, social, and governance effort earns T. Rowe Price QM US Small & Mid-Cap Core Equity a Morningstar ESG Commitment Level of Low.

ESG considerations play a part in the analysis of each company by T. Rowe Price's centralized bench of analysts, but the comanagers here ply a systematic approach that does not integrate ESG factors. Efforts to formalize integration of ESG concerns into fundamental research, ongoing monitoring, and engagement ramped up in 2017 with the hiring of Responsible Investing head Maria Elena Drew. She helped build out a centralized team of ESG specialists and developed a proprietary ESG research system that is integrated within the firm's central research system and remains in use today. However, T. Rowe's quant team does not formally incorporate ESG beyond this. Indeed, it doesn't use the analysts' research to the same extent as the firm's fundamental managers. The team here can still invest in companies that score poorly, and there is no additional screening or sell discipline requirements that dictate which names can or cannot be held based on ESG considerations alone.

That said, T. Rowe has long focused on corporate governance issues as part of its regular research process, and the quant team is no different in this regard. Its efforts on the environmental and social fronts are minimal here, though. While ESG factors are considered, they don't have much of an impact on security selection or portfolio construction unless they indirectly find their way into the strategy's quant model (through deteriorating fundamentals or other valuation characteristics). ESG metrics reporting is readily available for this strategy, but the firm could improve its proxy-voting reporting with more detail, including whether the portfolio manager was involved in voting and offering more information on the logic behind some of its votes.

T. Rowe Price QM US Small-Cap Growth Equity

ESG Commitment Level: Low

Asset Manager: T. Rowe Price

A nascent environmental, social, and governance effort earns T. Rowe Price QM US Small-Cap Growth Equity a Morningstar ESG Commitment Level of Low.

ESG considerations play a part in the analysis of each company by T. Rowe Price's centralized bench of analysts, but manager Sudhir Nanda plies a systematic approach that does not integrate ESG factors. Efforts to formalize integration of ESG concerns into fundamental research, ongoing monitoring, and engagement ramped up in 2017 with the hiring of Responsible Investing head Maria Elena Drew. She helped build out a centralized team of ESG specialists and developed a proprietary ESG research system that is integrated within the firm's central research system and remains in use today. However, T. Rowe's quant team does not formally incorporate ESG beyond this. Indeed, it doesn't use the analysts' research to the same extent as the firm's fundamental managers. The team here can still invest in

companies that score poorly, and there is no additional screening or sell discipline requirements that dictate which names can or cannot be held based on ESG considerations alone.

That said, T. Rowe has long focused on corporate governance issues as part of its regular research process, and Nanda is no different in this regard. Its efforts on the environmental and social fronts are minimal here, though. While ESG factors are considered, they don't have much of an impact on security selection or portfolio construction unless they indirectly find their way into the strategy's quant model (through deteriorating fundamentals or other valuation characteristics). ESG metrics reporting is readily available for this strategy, but the firm could improve its proxy-voting reporting with more detail, including whether the portfolio manager was involved in voting and offering more detail on the logic behind some of its votes.

T. Rowe Price Retirement Target-Date Series

ESG Commitment Level: Low

Asset Manager: T. Rowe Price

The managers of the T. Rowe Price Retirement target-date series don't consider environmental, social, and governance risk factors when selecting the underlying funds for its portfolio or when allocating across asset classes. It earns a Morningstar ESG Commitment Level of Low.

The strategy's investment philosophy and process are concentrated around building broadly diversified portfolios using mostly actively managed mutual funds. The target-date managers do not select funds based on their ESG attributes. Some of the underlying strategies incorporate ESG risk factors into their security analysis, but none are intentionally focused. Additionally, the target-date managers do not exclude specific asset classes when constructing the series' glide path.

T. Rowe has long focused on corporate governance issues as part of its regular research process, but its efforts on the environmental and social fronts are still emerging. As it stands now, the firm does not take broad stances on particular issues, leaving it to analysts, managers, and ESG specialists to handle concerns on a company-specific basis. The target-date management team does not play a direct role in these engagements.

T. Rowe Price Value

ESG Commitment Level: Low

Asset Manager: T. Rowe Price

T. Rowe Price Value does not take significant steps to incorporate environmental, social, and governance factors into its process, meriting a Morningstar ESG Commitment Level of Low.

ESG considerations play a part in the analysis of each company by T. Rowe Price's centralized bench of analysts which, in turn, is then factored into each strategy indirectly. Efforts to formalize integration of ESG concerns into fundamental research, ongoing monitoring, and engagement ramped up in 2017 with

the hiring of Responsible Investing head Maria Elena Drew. She helped build out a centralized team of ESG specialists and helped develop a proprietary ESG research system that is integrated within the firm's central research system and remains in use today. However, manager Mark Finn does not formally incorporate ESG beyond this. Managers at T. Rowe can still invest in companies that score poorly, and there is no additional screening or sell discipline requirements that dictate which names can or cannot be held based on ESG considerations alone. Indeed, Finn's investable universe in the value space offers several opportunities in oil and gas companies, for example, and he does not shy away if valuations appear compelling.

That said, T. Rowe has long focused on corporate governance issues as part of its regular research process, and Finn is no different in this regard. Its efforts on the environmental and social fronts are minimal here, though. Typically, the Responsible Investing team takes the lead on these engagements. While ESG factors are considered, they don't have much of an impact on security selection or portfolio construction unless it weighs on the team's investment thesis for an individual company. Finn instead focuses on finding opportunities where a company is trading at a discount to the team's estimate of its intrinsic value irrespective of how it scores on traditional ESG criteria. ESG metrics reporting is readily available for this strategy, but the firm could improve its proxy-voting reporting with more detail, including whether the portfolio manager was involved in voting and offering more information on the logic behind some of its votes.

TIAA-CREF Core Bond

TIAA-CREF Core Plus Bond

ESG Commitment Level: Low

Asset Manager: Nuveen, A TIAA Company

TIAA-CREF Core (Core Plus) Bond's team does not meaningfully tap into the company's vast resources dedicated to sustainable investing, and the impact of environmental, social, and governance factors on portfolio management decisions are ancillary at best. The strategy earns a Morningstar ESG Commitment Level of Low.

This strategy's managers lack ESG expertise, and the centralized team has limited impact here. Parent firm Nuveen boasts solid ESG resources, including a nearly 30-strong team of ESG analysts that act as a centralized resource to investment professionals across the firm. This team counts analysts dedicated to certain mandates and asset classes; supports the creation of tools like ESG screens, issuer rankings, and proprietary data points; and leads ESG-focused engagements—though none of those have significant influence on this strategy. Indeed, despite third-party and proprietary ESG data being incorporated into fundamental valuations, ESG considerations don't play a notable role in portfolio management. No screening of the investment universe or portfolio construction guidelines tilt the portfolio toward a higher sustainability profile or limit the discretion of the managers.

UBS ETF MSCI UK IMI SRI

ESG Commitment Level: Advanced

Asset Manager: UBS

The strict environmental, social, and governance inclusion criteria employed by the UBS MSCI IMI UK SRI exchange-traded fund means this is one of the most ESG-focused funds around and well deserving of a Morningstar ESG Commitment Level of Advanced.

This portfolio replicates a variant of the MSCI EMU SRI Index, which selects the top quartile of stocks from the eurozone with the strongest ESG characteristics relative to their sector peers. This screen is powered by MSCI's ESG ratings, which focus on the ESG risks and opportunities in each industry that could be material to financial performance. For example, it might look at data security for banks, and product packaging and water management for consumer products companies. How firms operate often has a bigger impact on these ratings than the goods and services they produce.

A hard exclusionary screen applied to the starting universe acts as the first layer of defence. Any firm that is exposed to controversial lines of business, like firearms, tobacco, nuclear power, gambling, or alcohol, or which violates the UN Global Compact principles is excluded from the get-go.

By focusing on the highest-scoring holdings in the universe the fund demonstrates the strength of its ESG commitment over other less discerning peers.

It is worth noting that the index's sector-relative stock-selection approach — also called the best-in-class approach — is designed to ensure that its performance doesn't deviate drastically from the MSCI UK parent index, but it also means that the fund invests in some sectors and stocks that might not meet everyone's definition of sustainable or socially responsible.

Also, the infrequent rebalancing built into the strategy means that stocks that unexpectedly breach ESG criteria may be held within the fund for some time before being excluded at the next quarterly index rebalance.

This fund does not engage in securities lending, which eliminates any concern surrounding the composition of any collateral held.

UBS ETF MSCI USA SRI

ESG Commitment Level: Advanced

Asset Manager: UBS

UBS MSCI USA SRI offers investors a combination of strict business involvement and climate change-based screening to create a strong environmental, social, and governance offering with an elevated carbon risk profile. It warrants a Morningstar ESG Commitment Level of Advanced.

The fund uses high minimum ESG score thresholds and screens in combination with a variation of MSCI's Low Carbon Exposure methodology that targets companies with better ESG credentials while limiting exposure to fossil fuel reserves and excluding the worst 10% of carbon emitters in the MSCI USA universe. While the 10% rule in the low carbon exposure methodology appears to be a low hurdle, it does a good job of removing the bulk of carbon emitters in the parent index, which is enough to significantly reduce overall potential carbon emissions per dollar revenue of the portfolio.

Given the strength of the methodology, tracking error remains modest, in the region of 2%-3% relative to its parent benchmark, the MSCI USA Index.

UBS(Lux)FS JPM USD EM IG ESG Dvrs Bd

ESG Commitment Level: Basic

Asset Manager: UBS

Screening sovereigns for environmental, social, and governance factors, which accounts for the bulk of this strategy's portfolio, does not deliver investment propositions substantially different from the parent universe. This strategy is awarded a Morningstar ESG Commitment Level of Basic.

The fund tracks the JP Morgan USD Emerging Market Investment Grade ESG Diversified Bond Index, which provides exposure to US-dollar-denominated bonds issued by emerging-markets sovereigns, quasi-sovereigns, and corporations with an investment-grade credit rating. The split between government and corporate is 70/30.

The index applies an ESG screening to the parent universe, tilting towards higher-ranking issuers and underweightings, or removing those that rank lower. Issuers are ranked using JP Morgan ESG scores based on ESG metrics from Sustainalytics and RepRisk. The ESG scores are divided into five bands. Issuers in the bottom band are excluded and remain ineligible for one year when a new review is conducted. Corporate issuers with revenues from thermal coal, those associated with tobacco or weapons industries, or those not in compliance with UN Global Compact principles are also excluded.

The metrics used to assess ESG credentials of governments are hardly different from those used in traditional credit rating analysis. In this strategy, exclusions of sovereigns are not driven by ESG criteria but by the manager's decision not to include issuers with credit ratings below investment-grade. Exclusions are not triggered by politically sensitive issues such as, for example, a government's record on human rights.

The reweighting of sovereigns means that tracking error relative to the parent universe can be substantial, and here it is amplified by the exclusion of non-investment-grade-rated issuers, which does not have an ESG basis.

Overall, the ESG screening is more consequential in the corporate sleeve of the portfolio, but the bulk of the strategy is in sovereigns, and here the outcome comes across as the minimum from an ESG perspective.

UBS(Lux)FS MSCI EM SRI

ESG Commitment Level: Advanced

Asset Manager: UBS

UBS MSCI Emerging Markets SRI offers investors a combination of strict business involvement and climate-change-based screening to create a strong environmental, social, and governance offering with an elevated carbon risk profile. It warrants a Morningstar ESG Commitment Level of Advanced.

This fund takes the MSCI Low Carbon Select 5% Capped methodology and applies it to the MSCI Emerging Markets universe. It combines MSCI's Values and Climate Change-based Exclusions hard screens with a custom version of MSCI's Low Carbon Exposure methodology. The MSCI Global Low Carbon Leaders applies two screens. The first screen ranks the Parent Index's constituents by carbon emission intensity. The top 10% of securities are excluded from the fund's index, namely MSCI Emerging Markets SRI Low Carbon Select 5% Issuer Capped. The index methodology also applies a sector cap. If the cumulative weight of the stocks in any sector is 30% lower than the weight of the sector in the Parent Index then no additional stocks are excluded from that sector. Meanwhile, the second screen identifies companies with low exposure to fossil fuel reserves. Stocks in the Parent Index are ranked by their potential carbon emissions per dollar of the company's market cap. Stocks are removed until the cumulative potential carbon emissions of the excluded stocks are half of the Parent Index's total potential carbon emissions.

Given the strength of the methodology, the resulting portfolio carries moderate tracking error in the region of 4%-6% relative to its parent benchmark, the MSCI Emerging Markets Index.

UBS(Lux)FS MSCI Japan SRI

ESG Commitment Level: Advanced

Asset Manager: UBS

The strict environmental, social, and governance inclusion criteria employed by UBS MSCI Japan SRI means this is one of the most ESG focused funds around and well-deserving of a Morningstar ESG Commitment Level of Advanced.

The strategy replicates the MSCI Japan SRI Low Carbon Select 5% Issuer Capped Index, which provides approximate exposure to the top quartile of Japanese companies ranked on ESG criteria. In addition to picking the most compliant stocks by sector, it also applies additional screens based on carbon emissions, fossil fuel reserve ownership, and other carbon business involvement criteria.

This screen is powered by MSCI's ESG ratings, which focus on the ESG risks and opportunities in each industry that could be material to financial performance. For example, it might look at data security for banks and product packaging and water management for consumer products companies. How firms operate often has a bigger impact on these ratings than the goods and services they produce.

A hard values-based screen applied to the starting universe acts as the first layer of defense. Any firm that is exposed to controversial lines of business, such as firearms, tobacco, nuclear power, gambling, and alcohol, or that violates the UN Global Compact is excluded from the get-go.

By focusing on the highest-scoring holdings in the universe, this strategy demonstrates the strength of its ESG commitment over other less-discerning peers. The index's sector-relative stock-selection approach—also called best-in-class approach—is designed to ensure that its performance doesn't deviate drastically from the parent index (the MSCI Japan index).

The infrequent rebalancing built into the strategy means that stocks that unexpectedly breach sustainability criteria may be held within the fund for some time before being excluded at the next quarterly index rebalance. But this does not detract from its deep ESG profile. Additionally, this fund does not engage in securities lending, which eliminates any concern surrounding the composition of any collateral held.

Vanguard Dividend Growth

ESG Commitment Level: Basic

Asset Manager: Wellington Management

Qualitative ESG considerations regularly figure into Vanguard Dividend Growth's evaluation of companies. That, plus subadvisor Wellington Management's firmwide resources, warrants a Morningstar ESG Commitment Level of Basic.

Veteran manager Donald Kilbride has a focus on dividend growth and a long-term outlook that inclines him toward large- and mega-cap multinationals that tend to score well on ESG metrics.

A strong ESG report card for the strategy is important to Kilbride. He draws on Wellington Management's centralized ESG research team that provides ESG ratings of 1 (Positive) to 5 (Negative) on more than 7,000 companies. Kilbride and the two other members of his dedicated team interact with Wellington's ESG analysts regarding their sector-specific insights, company engagements, and proxy-voting recommendations for potential and current portfolio holdings.

Kilbride does not rule out investing in companies that score poorly on ESG metrics, provided there is a path to improvement. He also does not rule out certain types of companies, such as fossil fuel businesses. Although the fund currently has no energy stocks, Kilbride inherited a position in Exxon Mobil XOM when he took over the portfolio in early 2006, and he kept it until 2020's first quarter because he thought Exxon's petrochemical operations distinguished it from other oil majors. Yet,

concerns about Exxon's environmental record had kept the position small in recent years and contributed to its sale.

There is room for further disclosure regarding the frequency and depth of Kilbride's interactions with Wellington's centralized ESG team. The centralized ESG team itself could also do more to clarify the link between its company engagements and proxy voting. According to its fourth-quarter 2020 global ESG research update, for example, Wellington rarely voted against company management in proxy proposals involving social issues during the period covered even though more than half of its 170 total company engagements had a social component to them.

Vanguard ESG Dev Wld All Cp Eq Idx

ESG Commitment Level: Basic

Asset Manager: Vanguard

The Vanguard ESG Developed World All Cap Equity Index Fund applies a light exclusionary ESG screen, limiting it to a Morningstar ESG Commitment Level of Basic.

FTSE Global Choice indexes exclude companies with products or conduct that may have a negative impact on society and/or the environment. Business involvement in either nonrenewable energy, vice products, or weapons (military and conventional) guarantees exclusion. Candidates are also required to satisfy three diversity indicators, including women on the board, diversity policies, and diversity management systems. For its controversy screen, the methodology seeks to exclude companies that are not compliant with the 10 principles outlined in the United Nations Global Compact.

In total, this ESG Index represents around 80% of the global developed-markets stock universe, including small caps. Since this approach is not sector-relative, the fund may take sector or country bets relative to the market.

While the strategy is designed to prevent exposure to controversial companies, its exclusion list is reviewed quarterly. This means that an offender might remain in or out of the portfolio for up to three months. As a result, the methodology has a less-convincing impact on elevating the portfolio's ESG credentials than some of the more-dedicated strategies on offer in this space.

The fund does not engage in securities lending, which negates potential concerns surrounding the ESG credentials of any collateral held.

All points considered, the fund sits as a good option for investors looking for a light-touch approach to ESG investing that limits market-relative active risk while simultaneously avoiding allocations to the worst offenders in the global developed equity space. That said, investors seeking more-stringent methodologies that do more to enhance their allocation's ESG profile should look elsewhere.

Vanguard Target Retirement Target-Date Series

ESG Commitment Level: Low

Asset Manager: Vanguard

The managers of the Vanguard Target Retirement target-date series don't consider environmental, social, and governance risk factors when selecting the underlying funds for its portfolio. It earns a Morningstar ESG Commitment Level of Low.

The strategy's investment philosophy and process are concentrated around building broadly diversified portfolios using market-cap-weighted index funds, such as Vanguard Total Stock Market *VTSMX* and Vanguard Total Bond Market *VBTLX*. None of the underlying index funds' methodologies consider ESG risk factors.

Vanguard's roughly 35-person investment stewardship team oversees proxy voting for the underlying index funds. The team votes more than 150,000 proposals and engages 600-900 companies worldwide each year. Yet, the team isn't large given Vanguard's global scale, and its support of key ESG resolutions, while improving, remains low.

Vanguard Intermediate-Term Investment-Grade**Vanguard Short-Term Investment-Grade**

ESG Commitment Level: Low

Asset Manager: Vanguard

Vanguard Intermediate-Term Investment Grade is not an environmental, social, and governance-intentional strategy and puts ESG considerations on the back burner, earning it a Morningstar ESG Commitment Level of Low.

While integrated into the team's fundamental research, ESG considerations have very limited impact on investment decisions. Issuers' ESG scores, powered by inputs from a handful of third-party data providers, are predominantly considered as a peripheral component of the credit analysis. The strategy's investment universe is not restrained by ESG-related screens on issuers or sectors, and the managers retain full latitude over the portfolio, including the ability to invest or maintain a position in a credit that fails to meet any kind of ESG threshold. The team neglects to undertake any level of thematic ESG engagement with issuers in their portfolio, limiting conversations to traditional price discovery and due diligence matters and publishing no engagement-related reports on publicly available forums.

Vanguard LifeStrategy Target-Risk Series

Funds: Vanguard LifeStrategy 20% Equity, LifeStrategy 40% Equity, LifeStrategy 60% Equity, LifeStrategy 80% Equity

Vanguard LifeStrategy Cnsv Growth, LifeStrategy Moderate Growth, LifeStrategy Growth, LifeStrategy Income

ESG Commitment Level: Low

Asset Manager: Vanguard

The managers of the Vanguard LifeStrategy target-risk series don't consider environmental, social, and governance risk factors when selecting the underlying funds for its portfolio. It earns a Morningstar ESG Commitment Level of Low.

The strategy's investment philosophy and process are concentrated around building broadly diversified portfolios using market-cap-weighted index funds, such as Vanguard Total Stock Market VTSMX and Vanguard Total Bond Market VBTX. None of the underlying index funds' methodologies consider ESG risk factors.

Vanguard's roughly 35-person investment stewardship team oversees proxy voting for the underlying index funds. The team votes more than 150,000 proposals and engages 600-900 companies worldwide each year. Yet, the team isn't large given Vanguard's global scale, and its support of key ESG resolutions, while improving, remains low.

Xtrackers MSCI Em Mkt ESG ETF

ESG Commitment Level: Advanced

Asset Manager: DWS

Xtrackers MSCI EM ESG receives a Morningstar ESG Commitment Level of Advanced. The strategy seeks to negate carbon risk exposure.

This strategy begins by applying MSCI's values-based exclusion criteria to select against controversial business exposures that carry heightened environmental, social, and governance risks. This mostly includes companies that derive more than 5% of their revenues from subsectors such as (but not limited to) controversial weapons, tobacco, gambling, nuclear power, or thermal coal. The MSCI Low Carbon Exposure methodology then applies two screens. The first is a carbon emissions screen that excludes the highest 20% of carbon dioxide emitters from inclusion. The second is a potential carbon emissions screen that excludes 50% of the potential carbon emissions per dollar of market cap of the parent index. This screen is designed to select companies with low exposure to fossil-fuel reserves.

The strategy does well to elevate the ESG profile of an otherwise market-cap-weighted strategy.

Xtrackers MSCI JAPAN ESG ETF

ESG Commitment Level: Advanced

Asset Manager: DWS

Xtrackers MSCI Japan ESG applies multiple environmental, social, and governance screens to the MSCI Japan index universe, making it worthy of a Morningstar ESG Commitment Level of Advanced.

The fund tracks the MSCI Japan Low Carbon SRI Leaders Index, which applies a values-based screen that excludes companies with revenue stemming from controversial subsectors such as (but not limited to) controversial weapons, tobacco, gambling, nuclear power, and thermal coal. Additionally, the strategy strives to invest in companies with the lowest exposure to carbon emissions. This is done by applying two independent screens to the parent benchmark. The first is a carbon emissions screen that excludes the highest 20% of carbon-dioxide emitters from inclusion. The second is a potential carbon emissions screen that excludes 50% of the potential carbon emissions per dollar of market cap of the parent index. This screen is designed to select companies with low exposure to fossil fuel reserves.

The comprehensive screening and its focus on the minimization of carbon emissions results in high active share relative to the parent benchmark. As of this review, 63% of the companies in the MSCI Japan index are excluded from this ESG portfolio.

This exchange-traded fund is physically replicated and does not engage in securities lending, which negates potential concerns surrounding the ESG credentials of any collateral held.

Overall, this strategy has a deep ESG profile. ■■■

Appendix

Methodology

The Morningstar ESG Commitment Level expresses our analysts' assessments of individual strategies' and asset managers' determination to incorporate ESG factors into their investment processes and organizations. It is assigned to both strategies and asset managers. And the asset manager's ESG Commitment Level is also an input into the strategy's ESG Commitment Level.

Strategies

For actively managed strategies, we review three key pillars: Process, Resources, and Asset Manager.

Process includes an assessment of the manner and extent to which ESG factors are incorporated into the fund's investment process, from the definition of the investable universe (screening), to research, security selection, portfolio construction, risk management, active ownership efforts (proxy voting and engagement with respect to ESG issues) and the transparency of reporting. The Resources Pillar assesses the amount of data sources used by the fund's investment team as well as the ESG expertise on the team and that accessed by the team.

Each pillar is scored and then rolled up into the overall ESG Commitment Level by weighting them as follows:

Process: 45%

Resources: 35%

Asset Manager: 20%

For passively managed funds, we review only two key pillars: Process and Asset Manager.

This approach reflects the fact that nearly all passive ESG offerings are based on indexes licensed from third-party providers, with the index methodology itself creating the ESG profile of the fund. Given this, data and ESG specialist personnel at the fund level aren't material to our assessment. We therefore exclude Resources from our assessment and focus primarily on Process, with the resulting weights as follows:

Process: 80%

Asset Manager: 20%

Asset Managers

To develop our view of asset managers, we assess the following three pillars: Philosophy & Process, Resources, and Active Ownership.

Philosophy & Process examines the history of a firm's involvement with ESG investing and its importance within the firm's culture and investment strategies. The Resources Pillar looks at the quantity of ESG data sources the firm uses, the ways in which the firm uses the data and ensures that it is propagated to research teams, as well as the extent and experience of firmwide ESG specialist resources and how they work with investment teams across the firm. Lastly but far from least, Active Ownership assesses a firm's policies and actions for voting proxies and engaging with holding companies on ESG matters. Transparency of practices and reporting at firm level, while not constituting a separate pillar, are also evaluated.

Each pillar is scored and then rolled into the overall ESG Commitment Level by weighting them as follows:

Philosophy & Process: 40%

Resources: 30%

Active Ownership: 30%

The asset manager assessed here may differ in some cases from the Parent firm assessed in the Analyst Rating. The latter generally uses the firm that offers the fund, but the ESG Commitment Level focuses on the firm that handles day-to-day portfolio management for a strategy since its ESG capabilities are what matters to investors. Most of the time the firms analysed for the ESG Commitment Level and Analyst Rating for a given strategy will coincide, but when portfolio management is outsourced, they can differ.

To read the full methodology, visit this [site](#).

Research Process

After selecting the asset managers and strategies to be included in our first round of evaluations, we sent the asset managers two types of questionnaires: one requesting information on the firm and another requesting information on each of the strategies evaluated.

Our analysts then interviewed relevant parties at the firms as needed, including portfolio managers, heads of sustainability, heads of investment stewardship, research analysts, and firms' key executives. At the interviews, we focus on fleshing out our knowledge of an asset manager's ESG philosophy, ESG capabilities, processes, and the strategies.

Following the interviews, our analysts produced ratings notes, which were presented and discussed at a ratings committee. The committee had final approval for all ESG Commitment Levels.

Appendix A Full List of Basic Strategies

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
Ariel Appreciation Investor	Active	Basic	Equity	US Fund Mid-Cap Value	Ariel Investments	Low
Ariel Fund Investor	Active	Basic	Equity	US Fund Mid-Cap Value	Ariel Investments	Low
Bell Global Equities	Active	Basic	Equity	Australia Fund Equity World Large Blend	Bell Asset Management	Basic
BGF Fixed Income Global Opps A2	Active	Basic	Fixed Income	EAA Fund Global Flexible Bond - USD Hedged	BlackRock	Basic
BGF US Dollar Bond A2	Active	Basic	Fixed Income	EAA Fund USD Diversified Bond	BlackRock	Basic
BlackRock Equity Dividend Instl	Active	Basic	Equity	US Fund Large Value	BlackRock	Basic
BlackRock High Yield Municipal Instl	Active	Basic	Fixed Income	US Fund High Yield Muni	BlackRock	Basic
BlackRock National Municipal Instl	Active	Basic	Fixed Income	US Fund Muni National Interm	BlackRock	Basic
BlackRock Strategic Global Bond Instl	Active	Basic	Fixed Income	US Fund World Bond	BlackRock	Basic
BlackRock Strategic Income Opps Instl	Active	Basic	Fixed Income	US Fund Nontraditional Bond	BlackRock	Basic
BlackRock Total Return K	Active	Basic	Fixed Income	US Fund Intermediate Core-Plus Bond	BlackRock	Basic
Calvert International Responsible Idx I	Passive	Basic	Equity	US Fund Foreign Large Blend	Calvert	Leader
Calvert US Large Cap Core Rspnb Idx I	Passive	Basic	Equity	US Fund Large Blend	Calvert	Leader
Calvert US Large Cap Growth Rspnb Idx I	Passive	Basic	Equity	US Fund Large Growth	Calvert	Leader
Calvert US Large Cap Value Rspnb Idx I	Passive	Basic	Equity	US Fund Large Value	Calvert	Leader
Calvert US Mid Cap Core Rspnb Idx I	Passive	Basic	Equity	US Fund Mid-Cap Blend	Calvert	Leader
Columbia Corporate Income Inst	Active	Basic	Fixed Income	US Fund Corporate Bond	Columbia Threadneedle	Basic
Columbia Floating Rate A	Active	Basic	Fixed Income	US Fund Bank Loan	Columbia Threadneedle	Basic
Columbia High Yield Bond A	Active	Basic	Fixed Income	US Fund High Yield Bond	Columbia Threadneedle	Basic
Columbia Limited Duration Credit A	Active	Basic	Fixed Income	US Fund Short-Term Bond	Columbia Threadneedle	Basic
Dimensional Gbl Bond Sustainability AUD	Active	Basic	Fixed Income	Australia Fund Bonds - Global	Dimensional	Low
Goldman Sachs Bond Institutional	Active	Basic	Fixed Income	US Fund Intermediate Core-Plus Bond	Goldman Sachs	Basic
Goldman Sachs Core Fixed Income Instl	Active	Basic	Fixed Income	US Fund Intermediate Core Bond	Goldman Sachs	Basic
Goldman Sachs Global Core Fxd Inc Svc	Active	Basic	Fixed Income	US Fund World Bond-USD Hedged	Goldman Sachs	Basic
Hartford Schroders US MidCap Opps I	Active	Basic	Equity	US Fund Mid-Cap Blend	Schroder	Advanced
Hartford Schroders US Small Cap Opps I	Active	Basic	Equity	US Fund Small Blend	Schroder	Advanced
iShares ESG Aware MSCI EM ETF	Passive	Basic	Equity	US Fund Diversified Emerging Mkts	BlackRock	Basic
iShares JP Morgan ESG \$ EM Bd ETF USDAcc	Passive	Basic	Fixed Income	EAA Fund Global Emerging Markets Bond	BlackRock	Basic
iShares MSCI EMU ESG Enh ETF EUR Dist	Passive	Basic	Equity	EAA Fund Eurozone Large-Cap Equity	BlackRock	Basic
iShares MSCI EMU ESG Scrn ETF EUR Acc	Passive	Basic	Equity	EAA Fund Eurozone Large-Cap Equity	BlackRock	Basic
iShares MSCI Japan ESG Enh ETF USD Dist	Passive	Basic	Equity	EAA Fund Japan Large-Cap Equity	BlackRock	Basic
iShares MSCI Japan ESG Scrn ETF USD Acc	Passive	Basic	Equity	EAA Fund Japan Large-Cap Equity	BlackRock	Basic
iShares ESG MSCI EM Leaders ETF	Passive	Basic	Equity	US Fund Diversified Emerging Mkts	BlackRock	Basic
Lyxor ESG Euro Corp Bd ETF Acc	Passive	Basic	Fixed Income	EAA Fund EUR Corporate Bond	Lyxor	Low
Janus Henderson Australian Fxd Intst	Active	Basic	Fixed Income	Australia Fund Bonds - Australia	Janus Henderson	Low
JPMorgan Large Cap Growth I	Active	Basic	Equity	US Fund Large Growth	JPMorgan	Basic
Jupiter European Growth L EUR Acc	Active	Basic	Equity	EAA Fund Europe Large-Cap Growth Equity	Jupiter	Advanced
Jupiter European L Inc	Active	Basic	Equity	EAA Fund Europe ex-UK Equity	Jupiter	Advanced
Jupiter Merlin Balanced Portfolio L Acc	Active	Basic	Allocation	EAA Fund GBP Moderately Adventurous Alloc	Jupiter	Advanced
Jupiter Merlin Conservative I Acc	Active	Basic	Allocation	EAA Fund GBP Moderately Cautious Alloc	Jupiter	Advanced
Jupiter Merlin Growth Portfolio L Inc	Active	Basic	Allocation	EAA Fund GBP Adventurous Allocation	Jupiter	Advanced
Jupiter Merlin Income Portfolio L Inc	Active	Basic	Allocation	EAA Fund GBP Moderate Allocation	Jupiter	Advanced
Magellan Global (Hedged)	Active	Basic	Equity	Australia Fund Eq World - Currency Hedged	Magellan	Low
Magellan Global Closed Class	Active	Basic	Equity	Australia CE Equity World Other	Magellan	Low
Magellan Global Open Class	Active	Basic	Equity	Australia Fund Equity World Large Blend	Magellan	Low

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Appendix A Full List of Basic Strategies (Continued)

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
MFS Growth B	Active	Basic	Equity	US Fund Large Growth	MFS	Basic
MFS Instl International Equity	Active	Basic	Equity	US Fund Foreign Large Blend	MFS	Basic
MFS International Intrinsic Value A	Active	Basic	Equity	US Fund Foreign Large Growth	MFS	Basic
MFS Mid Cap Growth A	Active	Basic	Equity	US Fund Mid-Cap Growth	MFS	Basic
MFS Research International I	Active	Basic	Equity	US Fund Foreign Large Blend	MFS	Basic
Nanuk New World	Active	Basic	Equity	Australia Fund Equity World Large Blend	Nanuk	Basic
Neuberger Berman High Income Bond Inv	Active	Basic	Fixed Income	US Fund High Yield Bond	Neuberger Berman	Basic
Neuberger Berman HY Bd USD I Acc	Active	Basic	Fixed Income	EAA Fund USD High Yield Bond	Neuberger Berman	Basic
Robeco Emerging Conservative Equity AUD	Active	Basic	Equity	Australia Fund Equity Emerging Markets	Robeco	Leader
Robeco QI Emerging Cnsvr Eqs I €	Active	Basic	Equity	EAA Fund Global Emerging Markets Equity	Robeco	Leader
Robeco QI European Cnsvr Eqs I €	Active	Basic	Equity	EAA Fund Europe Large-Cap Blend Equity	Robeco	Leader
Robeco QI Global Conservative Eqs I \$	Active	Basic	Equity	EAA Fund Global Large-Cap Blend Equity	Robeco	Leader
Schroder Asian Asset Income C Acc HKD	Active	Basic	Allocation	EAA Fund Asia Allocation	Schroder	Advanced
Schroder Asian Income Acc	Active	Basic	Equity	EAA Fund Asia-Pacific ex-Japan Equity Income	Schroder	Advanced
Schroder Asian Income SGD A Dis	Active	Basic	Allocation	EAA Fund Asia Allocation	Schroder	Advanced
Schroder ISF US S&M-Cap Eq C Acc USD	Active	Basic	Equity	EAA Fund US Mid-Cap Equity	Schroder	Advanced
Schroder ISF US Smaller Coms A Dis AV	Active	Basic	Equity	EAA Fund US Small-Cap Equity	Schroder	Advanced
Schroder US Mid Cap Inc	Active	Basic	Equity	EAA Fund US Mid-Cap Equity	Schroder	Advanced
Schroder US Smaller Companies Inc	Active	Basic	Equity	EAA Fund US Small-Cap Equity	Schroder	Advanced
State Street Climate ESG Intl Eq	Active	Basic	Equity	Australia Fund Equity World Large Blend	State Street	Basic
T. Rowe Price Growth Stock	Active	Basic	Equity	US Fund Large Growth	T. Rowe Price	Basic
T. Rowe Price Growth Stock ETF	Active	Basic	Equity	US Fund Large Growth	T. Rowe Price	Basic
T. Rowe Price Growth Stock Tr-B	Active	Basic	Equity	US SA Large Growth	T. Rowe Price	Basic
T. Rowe Price Instl Small-Cap Stock	Active	Basic	Equity	US Fund Small Growth	T. Rowe Price	Basic
T. Rowe Price Small-Cap Stock	Active	Basic	Equity	US Fund Small Growth	T. Rowe Price	Basic
UBS(Lux)FS JPM USD EM IG ESG Dvrs Bd USD Aacc	Passive	Basic	Fixed Income	EAA Fund Global Emerging Markets Bond	UBS	Basic
Vanguard Dividend Growth Inv	Active	Basic	Equity	US Fund Large Blend	Wellington Mgmt	Basic
Vanguard ESG Dev Wld All Cp Eq IdxEURAcc	Passive	Basic	Equity	EAA Fund Global Large-Cap Blend Equity	Vanguard	Low

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Appendix B Full List of Low Strategies

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
American Century Growth Inv	Active	Low	Equity	US Fund Large Growth	American Century	Low
American Funds American Balanced A	Active	Low	Allocation	US Fund Allocation—50% to 70% Equity	Capital Group (American Funds)	Basic
American Funds Fundamental Invs A	Active	Low	Equity	US Fund Large Blend	Capital Group (American Funds)	Basic
American Funds Income Fund of Amer A	Active	Low	Allocation	US Fund Allocation—70% to 85% Equity	Capital Group (American Funds)	Basic
American Funds New World A	Active	Low	Equity	US Fund Diversified Emerging Mkts	Capital Group (American Funds)	Basic
American Funds Smallcap World A	Active	Low	Equity	US Fund World Small/Mid Stock	Capital Group (American Funds)	Basic
Antipodes Global Fund - Class P	Active	Low	Equity	Australia Fund Equity World Large Blend	Antipodes Partners	Low
Baird Aggregate Bond Inst	Active	Low	Fixed Income	US Fund Intermediate Core Bond	Baird	Low
Baird Core Plus Bond Inst	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Baird	Low
Baird Short-Term Bond Inst	Active	Low	Fixed Income	US Fund Short-Term Bond	Baird	Low
Baird Ultra Short Bond Institutional	Active	Low	Fixed Income	US Fund Ultrashort Bond	Baird	Low
Capital Group New World (AU)	Active	Low	Equity	Australia Fund Equity Emerging Markets	Capital Group (American Funds)	Basic
Capital Group New World (LUX) Z	Active	Low	Equity	EAA Fund Global Emerging Markets Equity	Capital Group (American Funds)	Basic
Capital Group New World Hedged (AU)	Active	Low	Equity	Australia Fund Equity Emerging Markets	Capital Group (American Funds)	Basic
Columbia Bond Inst	Active	Low	Fixed Income	US Fund Intermediate Core Bond	Columbia Threadneedle	Basic
Columbia Contrarian Core Inst	Active	Low	Equity	US Fund Large Blend	Columbia Threadneedle	Basic
Columbia Quality Income A	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Columbia Threadneedle	Basic
Columbia Strategic Income A	Active	Low	Fixed Income	US Fund Nontraditional Bond	Columbia Threadneedle	Basic
Columbia Total Return Bond Inst	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Columbia Threadneedle	Basic
Fidelity Freedom 2005	Active	Low	Allocation	US Fund Target-Date 2000-2010	Fidelity Investments	Low
Fidelity Freedom 2010	Active	Low	Allocation	US Fund Target-Date 2000-2010	Fidelity Investments	Low
Fidelity Freedom 2015	Active	Low	Allocation	US Fund Target-Date 2015	Fidelity Investments	Low
Fidelity Freedom 2020	Active	Low	Allocation	US Fund Target-Date 2020	Fidelity Investments	Low
Fidelity Freedom 2025	Active	Low	Allocation	US Fund Target-Date 2025	Fidelity Investments	Low
Fidelity Freedom 2030	Active	Low	Allocation	US Fund Target-Date 2030	Fidelity Investments	Low
Fidelity Freedom 2035	Active	Low	Allocation	US Fund Target-Date 2035	Fidelity Investments	Low
Fidelity Freedom 2040	Active	Low	Allocation	US Fund Target-Date 2040	Fidelity Investments	Low
Fidelity Freedom 2045	Active	Low	Allocation	US Fund Target-Date 2045	Fidelity Investments	Low
Fidelity Freedom 2050	Active	Low	Allocation	US Fund Target-Date 2050	Fidelity Investments	Low
Fidelity Freedom 2055	Active	Low	Allocation	US Fund Target-Date 2055	Fidelity Investments	Low
Fidelity Freedom 2060	Active	Low	Allocation	US Fund Target-Date 2060	Fidelity Investments	Low
Fidelity Freedom 2065 K6	Active	Low	Allocation	US Fund Target-Date 2065+	Fidelity Investments	Low
Fidelity Freedom Income	Active	Low	Allocation	US Fund Target-Date Retirement	Fidelity Investments	Low
Fidelity Freedom Index 2005 Investor	Active	Low	Allocation	US Fund Target-Date 2000-2010	Fidelity Investments	Low
Fidelity Freedom Index 2010 Investor	Active	Low	Allocation	US Fund Target-Date 2000-2010	Fidelity Investments	Low
Fidelity Freedom Index 2015 Investor	Active	Low	Allocation	US Fund Target-Date 2015	Fidelity Investments	Low
Fidelity Freedom Index 2020 Investor	Active	Low	Allocation	US Fund Target-Date 2020	Fidelity Investments	Low
Fidelity Freedom Index 2025 Investor	Active	Low	Allocation	US Fund Target-Date 2025	Fidelity Investments	Low
Fidelity Freedom Index 2030 Investor	Active	Low	Allocation	US Fund Target-Date 2030	Fidelity Investments	Low
Fidelity Freedom Index 2035 Investor	Active	Low	Allocation	US Fund Target-Date 2035	Fidelity Investments	Low
Fidelity Freedom Index 2040 Investor	Active	Low	Allocation	US Fund Target-Date 2040	Fidelity Investments	Low
Fidelity Freedom Index 2045 Investor	Active	Low	Allocation	US Fund Target-Date 2045	Fidelity Investments	Low
Fidelity Freedom Index 2050 Investor	Active	Low	Allocation	US Fund Target-Date 2050	Fidelity Investments	Low
Fidelity Freedom Index 2055 Investor	Active	Low	Allocation	US Fund Target-Date 2055	Fidelity Investments	Low
Fidelity Freedom Index 2060 Investor	Active	Low	Allocation	US Fund Target-Date 2060	Fidelity Investments	Low

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Appendix B Full List of Low Strategies (Continued)

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
Fidelity Freedom Index 2065 Instl Pm	Active	Low	Allocation	US Fund Target-Date 2065+	Fidelity Investments	Low
Fidelity Freedom Index Income Investor	Active	Low	Allocation	US Fund Target-Date Retirement	Fidelity Investments	Low
Fidelity Global Mlt Ast IncA-QInc(G)-SGD	Active	Low	Allocation	EAA Fund USD Moderate Allocation	Fidelity International	Basic
Fidelity Contrafund	Active	Low	Equity	US Fund Large Growth	Fidelity Investments	Low
Fidelity Contrafund K6	Active	Low	Equity	US Fund Large Growth	Fidelity Investments	Low
Fidelity Independence	Active	Low	Equity	US Fund Large Growth	Fidelity Investments	Low
Fidelity Magellan K6	Active	Low	Equity	US Fund Large Growth	Fidelity Investments	Low
Fidelity Magellan	Active	Low	Equity	US Fund Large Growth	Fidelity Investments	Low
Fidelity Overseas	Active	Low	Equity	US Fund Foreign Large Growth	Fidelity Investments	Low
Franklin Growth A	Active	Low	Equity	US Fund Large Growth	Franklin Templeton	Low
Franklin Mutual Gbl Discv(acc)EUR	Active	Low	Equity	EAA Fund Global Large-Cap Value Equity	Franklin Templeton	Low
Franklin Mutual Global Discovery Z	Active	Low	Equity	US Fund World Large-Stock Value	Franklin Templeton	Low
Fundsmith Equity I Acc	Active	Low	Equity	EAA Fund Global Large-Cap Growth Equity	Fundsmith	Low
Fundsmith Equity I EUR Acc	Active	Low	Equity	EAA Fund Global Large-Cap Growth Equity	Fundsmith	Low
Hartford Dividend and Growth Y	Active	Low	Equity	US Fund Large Value	Wellington Management	Basic
Invesco Global A	Active	Low	Equity	US Fund World Large-Stock Growth	Invesco	Basic
Invesco Main Street A	Active	Low	Equity	US Fund Large Blend	Invesco	Basic
iShares Global Water ETF USD Dist	Passive	Low	Equity	EAA Fund Sector Equity Water	BlackRock	Basic
Janus Henderson Triton D	Active	Low	Equity	US Fund Small Growth	Janus Henderson	Low
JPM Global Income A (div) EUR	Active	Low	Allocation	EAA Fund EUR Moderate Alloc - Global	JPMorgan	Basic
JPM Multi-Asset Income A Net Acc	Active	Low	Allocation	EAA Fund GBP Moderate Allocation	JPMorgan	Basic
JPMorgan Income Builder I	Active	Low	Allocation	US Fund Allocation—30% to 50% Equity	JPMorgan	Basic
JPMorgan Multi Income (mth) - USD	Active	Low	Allocation	EAA Fund USD Moderate Allocation	JPMorgan	Basic
Loomis Sayles Bond Instl	Active	Low	Fixed Income	US Fund Multisector Bond	Loomis Sayles	Low
Loomis Sayles Core Plus Bond A	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Loomis Sayles	Low
Loomis Sayles Investment Grade Bond Y	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Loomis Sayles	Low
Loomis Sayles Mgd Acct Med (10 Yr) Muni	Active	Low	Fixed Income	US SA Muni National Long	Loomis Sayles	Low
Loomis Sayles Multisector Inc I/D USD	Active	Low	Fixed Income	EAA Fund USD Flexible Bond	Loomis Sayles	Low
Loomis Sayles Strategic Income A	Active	Low	Fixed Income	US Fund Multisector Bond	Loomis Sayles	Low
M.D. Sass 2-Year FI	Active	Low	Fixed Income	US SA Short Government	M.D. Sass	Low
M.D. Sass Core Fix-Inc	Active	Low	Fixed Income	US SA Intermediate Government	M.D. Sass	Low
MassMutual Premier Main Street R5	Active	Low	Equity	US Fund Large Blend	Invesco	Basic
Platinum Global Fund	Active	Low	Equity	Australia Fund Equity World Large Blend	Platinum	Low
Platinum International Fund	Active	Low	Equity	Australia Fund Equity World Large Blend	Platinum	Low
T. Rowe Price Floating Rate	Active	Low	Fixed Income	US Fund Bank Loan	T. Rowe Price	Basic
T. Rowe Price Glb Growth Eq I USD	Active	Low	Equity	EAA Fund Global Large-Cap Growth Equity	T. Rowe Price	Basic
T. Rowe Price Global Equity (Hedged)	Active	Low	Equity	Australia Fund Eq Wld - Currency Hedged	T. Rowe Price	Basic
T. Rowe Price Global Equity I	Active	Low	Equity	Australia Fund Equity World Large Growth	T. Rowe Price	Basic
T. Rowe Price Global Equity M	Active	Low	Equity	Australia Fund Equity World Large Growth	T. Rowe Price	Basic
T. Rowe Price Global Growth Stock	Active	Low	Equity	US Fund World Large-Stock Growth	T. Rowe Price	Basic
T. Rowe Price Health Sciences	Active	Low	Equity	US Fund Health	T. Rowe Price	Basic
T. Rowe Price High Yield	Active	Low	Fixed Income	US Fund High Yield Bond	T. Rowe Price	Basic
T. Rowe Price Instl Floating Rate	Active	Low	Fixed Income	US Fund Bank Loan	T. Rowe Price	Basic
T. Rowe Price Instl High Yield	Active	Low	Fixed Income	US Fund High Yield Bond	T. Rowe Price	Basic
T. Rowe Price Mid-Cap Value	Active	Low	Equity	US Fund Mid-Cap Value	T. Rowe Price	Basic

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Appendix B Full List of Low Strategies (Continued)

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
T. Rowe Price QM US Sm&Md-Cp Cor Eq I	Active	Low	Equity	US Fund Mid-Cap Blend	T. Rowe Price	Basic
T. Rowe Price QM US Small-Cap Gr Eq	Active	Low	Equity	US Fund Small Growth	T. Rowe Price	Basic
T. Rowe Price Retirement 2005	Active	Low	Allocation	US Fund Target-Date 2000-2010	T. Rowe Price	Basic
T. Rowe Price Retirement 2010	Active	Low	Allocation	US Fund Target-Date 2000-2010	T. Rowe Price	Basic
T. Rowe Price Retirement 2015	Active	Low	Allocation	US Fund Target-Date 2015	T. Rowe Price	Basic
T. Rowe Price Retirement 2020	Active	Low	Allocation	US Fund Target-Date 2020	T. Rowe Price	Basic
T. Rowe Price Retirement 2025	Active	Low	Allocation	US Fund Target-Date 2025	T. Rowe Price	Basic
T. Rowe Price Retirement 2030	Active	Low	Allocation	US Fund Target-Date 2030	T. Rowe Price	Basic
T. Rowe Price Retirement 2035	Active	Low	Allocation	US Fund Target-Date 2035	T. Rowe Price	Basic
T. Rowe Price Retirement 2040	Active	Low	Allocation	US Fund Target-Date 2040	T. Rowe Price	Basic
T. Rowe Price Retirement 2045	Active	Low	Allocation	US Fund Target-Date 2045	T. Rowe Price	Basic
T. Rowe Price Retirement 2050	Active	Low	Allocation	US Fund Target-Date 2050	T. Rowe Price	Basic
T. Rowe Price Retirement 2055	Active	Low	Allocation	US Fund Target-Date 2055	T. Rowe Price	Basic
T. Rowe Price Retirement 2060	Active	Low	Allocation	US Fund Target-Date 2060	T. Rowe Price	Basic
T. Rowe Price Retirement 2065	Active	Low	Allocation	US Fund Target-Date 2065+	T. Rowe Price	Basic
T. Rowe Price Retirement I 2005 I	Active	Low	Allocation	US Fund Target-Date 2000-2010	T. Rowe Price	Basic
T. Rowe Price Retirement I 2010 I	Active	Low	Allocation	US Fund Target-Date 2000-2010	T. Rowe Price	Basic
T. Rowe Price Retirement I 2015 I	Active	Low	Allocation	US Fund Target-Date 2015	T. Rowe Price	Basic
T. Rowe Price Retirement I 2020 I	Active	Low	Allocation	US Fund Target-Date 2020	T. Rowe Price	Basic
T. Rowe Price Retirement I 2025 I	Active	Low	Allocation	US Fund Target-Date 2025	T. Rowe Price	Basic
T. Rowe Price Retirement I 2030 I	Active	Low	Allocation	US Fund Target-Date 2030	T. Rowe Price	Basic
T. Rowe Price Retirement I 2035 I	Active	Low	Allocation	US Fund Target-Date 2035	T. Rowe Price	Basic
T. Rowe Price Retirement I 2040 I	Active	Low	Allocation	US Fund Target-Date 2040	T. Rowe Price	Basic
T. Rowe Price Retirement I 2045 I	Active	Low	Allocation	US Fund Target-Date 2045	T. Rowe Price	Basic
T. Rowe Price Retirement I 2050 I	Active	Low	Allocation	US Fund Target-Date 2050	T. Rowe Price	Basic
T. Rowe Price Retirement I 2055 I	Active	Low	Allocation	US Fund Target-Date 2055	T. Rowe Price	Basic
T. Rowe Price Retirement I 2060 I	Active	Low	Allocation	US Fund Target-Date 2060	T. Rowe Price	Basic
T. Rowe Price Retirement I 2065 I	Active	Low	Allocation	US Fund Target-Date 2065+	T. Rowe Price	Basic
T. Rowe Price Value	Active	Low	Equity	US Fund Large Value	T. Rowe Price	Basic
T. Rowe Price Global Equity Growth	Active	Low	Equity	NZ OE Equity Region World	T. Rowe Price	Basic
TIAA-CREF Core Bond Instl	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Nuveen, A TIAA Company	Advanced
TIAA-CREF Core Plus Bond Instl	Active	Low	Fixed Income	US Fund Intermediate Core-Plus Bond	Nuveen, A TIAA Company	Advanced
Vanguard Instl Trgt Retire 2015 Instl	Active	Low	Allocation	US Fund Target-Date 2015	Vanguard	Low
Vanguard Instl Trgt Retire 2020 Instl	Active	Low	Allocation	US Fund Target-Date 2020	Vanguard	Low
Vanguard Instl Trgt Retire 2025 Instl	Active	Low	Allocation	US Fund Target-Date 2025	Vanguard	Low
Vanguard Instl Trgt Retire 2030 Instl	Active	Low	Allocation	US Fund Target-Date 2030	Vanguard	Low
Vanguard Instl Trgt Retire 2035 Instl	Active	Low	Allocation	US Fund Target-Date 2035	Vanguard	Low
Vanguard Instl Trgt Retire 2040 Instl	Active	Low	Allocation	US Fund Target-Date 2040	Vanguard	Low
Vanguard Instl Trgt Retire 2045 Instl	Active	Low	Allocation	US Fund Target-Date 2045	Vanguard	Low
Vanguard Instl Trgt Retire 2050 Instl	Active	Low	Allocation	US Fund Target-Date 2050	Vanguard	Low
Vanguard Instl Trgt Retire 2055 Instl	Active	Low	Allocation	US Fund Target-Date 2055	Vanguard	Low
Vanguard Instl Trgt Retire 2060 Instl	Active	Low	Allocation	US Fund Target-Date 2060	Vanguard	Low
Vanguard Instl Trgt Retire 2065 Instl	Active	Low	Allocation	US Fund Target-Date 2065+	Vanguard	Low
Vanguard Instl Trgt Retire Inc Instl	Active	Low	Allocation	US Fund Target-Date Retirement	Vanguard	Low
Vanguard Interm-Term Invmt-Grade Inv	Active	Low	Fixed Income	US Fund Corporate Bond	Vanguard	Low

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

Appendix B Full List of Low Strategies (Continued)

Fund Name	Active/ Passive	Strategy ESG Commitment Level	Global Broad Category Group	Morningstar Category	Asset Manager	Asset Manager ESG Commitment Level
Vanguard LifeStrategy 20% Eq A Grs Acc	Active	Low	Allocation	EAA Fund GBP Cautious Allocation	Vanguard	Low
Vanguard LifeStrategy 40% Equity A Acc	Active	Low	Allocation	EAA Fund GBP Moderately Cautious Alloc	Vanguard	Low
Vanguard LifeStrategy 60% Equity A Acc	Active	Low	Allocation	EAA Fund GBP Moderate Allocation	Vanguard	Low
Vanguard LifeStrategy 80% Equity A Acc	Active	Low	Allocation	EAA Fund GBP Mod Adventurous Alloc	Vanguard	Low
Vanguard LifeStrategy Cnsvr Gr Inv	Active	Low	Allocation	US Fund Allocation—30% to 50% Equity	Vanguard	Low
Vanguard LifeStrategy Growth Inv	Active	Low	Allocation	US Fund Allocation—70% to 85% Equity	Vanguard	Low
Vanguard LifeStrategy Income Inv	Active	Low	Allocation	US Fund Allocation—15% to 30% Equity	Vanguard	Low
Vanguard LifeStrategy Moderate Gr Inv	Active	Low	Allocation	US Fund Allocation—50% to 70% Equity	Vanguard	Low
Vanguard Short-Term Invmt-Grade Inv	Active	Low	Fixed Income	US Fund Short-Term Bond	Vanguard	Low
Vanguard Target Retirement 2015 Inv	Active	Low	Allocation	US Fund Target-Date 2015	Vanguard	Low
Vanguard Target Retirement 2020 Inv	Active	Low	Allocation	US Fund Target-Date 2020	Vanguard	Low
Vanguard Target Retirement 2025 Inv	Active	Low	Allocation	US Fund Target-Date 2025	Vanguard	Low
Vanguard Target Retirement 2030 Inv	Active	Low	Allocation	US Fund Target-Date 2030	Vanguard	Low
Vanguard Target Retirement 2035 Inv	Active	Low	Allocation	US Fund Target-Date 2035	Vanguard	Low
Vanguard Target Retirement 2040 Inv	Active	Low	Allocation	US Fund Target-Date 2040	Vanguard	Low
Vanguard Target Retirement 2045 Inv	Active	Low	Allocation	US Fund Target-Date 2045	Vanguard	Low
Vanguard Target Retirement 2050 Inv	Active	Low	Allocation	US Fund Target-Date 2050	Vanguard	Low
Vanguard Target Retirement 2055 Inv	Active	Low	Allocation	US Fund Target-Date 2055	Vanguard	Low
Vanguard Target Retirement 2060 Inv	Active	Low	Allocation	US Fund Target-Date 2060	Vanguard	Low
Vanguard Target Retirement 2065 Inv	Active	Low	Allocation	US Fund Target-Date 2065+	Vanguard	Low
Vanguard Target Retirement Income Inv	Active	Low	Allocation	US Fund Target-Date Retirement	Vanguard	Low
VY Invesco Oppenheimer Global I	Active	Low	Equity	US Fund World Large-Stock Growth	Invesco	Basic

Source: Manager Research Analysis (ESG Commitment Level, Fund Name, and Asset Manager) and Morningstar Direct. Note: In Morningstar Category, EAA refers to Europe, Asia, Africa.

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