

The 2021 UNCTAD Sustainable Fund Awards

- Methodology -

I. About the awards

To encourage the development of high-quality, high-impact sustainable funds, in particular those investing in SDG-related sectors and in developing countries, the UNCTAD sustainable fund awards recognize outstanding funds that demonstrate the highest standards of sustainability and impact, while outperforming their respective financial performance benchmarks.

The 2021 Awards have two categories:

- The **2021 UNCTAD Sustainable Global Fund Award** is dedicated to sustainable equity mutual funds, which represent the largest share of the sustainable fund universe by both number of funds and assets under management. Four winners were awarded.
- The **2021 UNCTAD Sustainable Emerging Market Fund Awards** recognizes the achievements and impact of sustainable equity funds that invest (solely or mainly) in emerging markets. Two winners were awarded.

The Awards were announced at an online [awards ceremony](#) at the UNCTAD [World Investment Forum](#) on 20 October 2021.

II. Eligibility criteria

1. Sustainable Global Fund Award

All sustainable equity mutual funds (excluding ETFs) that report a systematic adoption of ESG or SDG factors in their asset selection process, in their prospectus or other documents, were eligible for the long list for the Sustainable Global Fund Award, if they met the following criteria as of 30 June 2020:

- They had a 3-year performance history;
- They had minimum assets of \$20 million, and
- Their holdings were accessible on leading global fund databases, with a maximum delay of three months.

2. Sustainable Emerging Market Fund Award

All sustainable equity mutual funds (excluding ETFs) that invest solely or mainly (over 70% of their assets) in developing markets were eligible for the Sustainable Emerging Market Fund Awards, if they met the following criteria as of 30 June 2020:

- They have a 3-year performance history;
- They have minimum assets of \$10 million, and
- Their holdings are accessible on leading global fund databases.

III. Selection process

1. The Sustainable Global Fund Award

Prescreening and the long list

Based on their holdings as of 30 June 2020, UNCTAD, supported by independent experts, analyzed the sustainability and financial performance of all eligible funds, and a weighted sustainability score was given to each of them, based on five indicators: ESG rating at the portfolio level (40%), SDG alignment (15%), net impact on climate (15%), relative performance (15%), and investment performance resilience (15%) (as defined below). The top 100 sustainable funds with the highest scores were long-listed for the Global Sustainable Fund Award.

ESG rating	Numeric rating from 10 to 1 (best to worst) based on the ESG score provided by Conser , a Swiss independent ESG expert. The multi-source approach developed by Conser with its ESG Consensus® is selected due to enhanced comparability of ESG data and mitigated analytical bias that otherwise could be associated with the use of a unique source of ESG rating. The Conser Consensus methodology and process were audited by PWC.
Net impact on climate	% of assets in clean tech minus % of assets in fossil fuels.
SDG alignment	% of assets invested in 8 SDG sectors, i.e. water and sanitation, transport infrastructure, telecommunication infrastructure, health, food and agriculture, education, ecosystem diversity, and climate change mitigation (renewable energy).
Relative performance	Relative financial performance against the respective benchmark.
Investment performance resilience	Measured by the upside/downside capture ratio of the fund.

The short list or the nominees for the Sustainable Fund Awards

In order to ensure consistent outperformance, UNCTAD rated all long-listed funds, based on their holdings as of 31 March 2021, with the same methodology mentioned above. The top 20 funds with the highest average of the 2020 and 2021 sustainability scores were short listed for the award.

2. Sustainable Emerging Market Fund Award

Due to limited data availability of emerging market sustainable funds, especially those domiciled in developing economies, eligible funds for the Sustainable Emerging Market Fund Award were rated by their latest available holdings, with the same methodology described above for both the long lists. Ten funds with the highest sustainability score were short listed for the Awards.

3. Preconditions for qualifying for the short list

For a fund to be qualified for the short lists for the two award categories, it must meet the following conditions with respect to its holdings:

- An ESG rating of 6 and above.
- Outperforming its respective benchmark in returns.
- Zero exposure to weapons (including cluster bombs), gambling, pornography, tobacco and alcohol.
- An exposure to international norm-related risks of less than 0.5% of its holdings.

In addition, any funds with any material sustainability concerns or governance issues identified by UNCTAD in its due diligence review (see section IV), with respect to its provider, will be excluded from the short list.

4. The Award Selection Committee and the selection of the winners

An Award Selection Committee comprised of 7 international experts was established to review the short-listed funds and decide the winners by voting. The Committee was chaired by an UNCTAD senior official and included six international experts with proven expertise in the field of sustainable finance, with due consideration given to geographic and gender balance. The committee cannot have more than one member from the same organisation/body/company.

Each committee member voted for 4 funds for the Sustainable Global Fund Award, and 2 funds for the Sustainable Emerging Market Fund Award. The top 4 and top 2 funds were the winners of each Award.

The members of the Committee acted in their own name, with complete impartiality, objectivity and independence. Each Member had equal weight in the decisions taken. The Chair of the Committee ensured proper debate and voting process and compliance with the rules.

Each member undertakes to disclose in advance any mandate and/or contractual or other relationship with the provider of a short-listed fund(s) that could result in a potential conflict of interest, and has a duty to abstain from voting for the fund(s).

IV. Due diligence

UNCTAD conducted due diligence on all short-listed funds for both awards. Any serious ESG concerns identified will lead to exclusion of a fund from nomination. In particular, the due diligence looked into the following issues:

- Whether the portfolio of the fund on 30 June 2020 and 31 March 2021 was exposed to any material sustainability concerns or controversial issues.
- Whether there is any reputation or governance concern with respect to the fund's provider, its management and investment practices (any fraud, legal action, etc.)
- Whether the fund has a good track record of transparency in terms of disclosing its holdings, sustainable investment strategies and practices and impact in a timely manner.