



Remains of a Grad missile embedded in the ground in the shelled quarter of Mariupol; Photo by darvik.photography@gmail.com

Why are ESG Investments Flowing to the Kremlin?

In the aftermath of Russia’s invasion of Ukraine, an Inclusive Development International investigation found that companies with close ties to Vladimir Putin’s regime, and the Russian state itself, have received substantial investment from funds that carry the “ESG” label. The funds are predominantly based on ESG indexes provided by MSCI, FTSE Russell and JP Morgan.

Our investigation focused on five securities linked with the Russian government: Gazprom, Sberbank, Rosneft, VTB Bank and Russian government Eurobonds.

The funds, which are often marketed as “socially responsible,” held these securities despite Putin’s long history of repression in Russia and attacks on democracy and human rights around the world. While the current landscape is complex, due in part to suspension of trading on Russian exchanges, financial records indicate that these funds remained invested up until Putin launched his war of aggression in Ukraine, which has caused untold death and destruction and led to the fastest growing refugee crisis since World War II.

Key Findings

- Total ESG-labeled investment: **\$319,201,724**
- Number of ESG-labeled funds: **75**

Holdings data and share values collected from the Bloomberg terminal on March 15, 2022; all currencies converted to USD using the conversion rate on March 15th, 2022, using <https://www.xe.com/>

Quick links to view more detailed data on each of the five securities:

- [Gazprom](#) [Sberbank](#) [Rosneft](#) [VTB Bank](#) [Russian Government Eurobonds](#)

Public Joint Stock Company Gazprom

A majority state-owned oil and gas company.¹ It has a current market capitalization of \$67 billion.² The company is responsible for 90% of Russia's total gas production³ and more than a third of the EU's gas supply.⁴ Sanctions against the company were announced by the United States on February 24, 2022.⁵ The head of the company, Alexei Miller, was placed on the UK sanctions list in March.⁶

TOTAL ESG-LABELED INVESTMENT: \$42,370,189

TOTAL ESG-LABELED FUNDS: 17

Asset Manager	Fund Name	Underlying Index	Rating Firm	Holdings Amount	Position	Filing Data
BlackRock	iShares ESG Aware MSCI EM ETF	MSCI	MSCI	\$15,502,815	7,224,690	3/11/22
BlackRock	iShares ESG MSCI EM Leaders ETF	MSCI	MSCI	\$508,445	244,340	3/11/22
BlackRock	iShares MSCI EM ESG Enhanced UCITS ETF	MSCI	MSCI	\$1,774,171	836,180	3/10/22
BlackRock	iShares MSCI EM IMI ESG Screened UCITS ETF	MSCI	MSCI	\$7,263,463	3,481,887	3/10/22

¹ <https://www.vox.com/22968949/russia-sanctions-swift-economy-mcdonalds>

² <https://finance.yahoo.com/quote/OGZPY/>

³ <https://www.politico.eu/article/gazprom-a-state-within-a-state-2/>

⁴ <https://www.politico.eu/article/gazprom-a-state-within-a-state-2/>

⁵ <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220224>

⁶ <https://www.spglobal.com/commodity-insights/en/market-insights/latest-news/natural-gas/031022-uk-adds-heads-of-russian-energy-giants-gazprom-rosneft-to-sanctions-list>

Credit Agricole	Amundi MSCI Emerging ESG Leaders UCITS ETF	MSCI	MSCI	\$6,648,008	3,223,847	2/28/22
Credit Agricole	Amundi MSCI Emerging ex China ESG Leaders Select UCITS ETF	MSCI	MSCI	\$2,381,656	1,180,523	2/28/22
Credit Agricole	Amundi Index MSCI Emerging ESG Broad CTB ETF	MSCI	MSCI	\$833,670	413,228	2/28/22
State Street Corp	State Street Global Emerging Markets ESG Screened Index Equity Fund	MSCI	MSCI	\$1,292,386	606,155	1/31/22
Deutsche Bank	Xtrackers MSCI Emerging Markets ESG Leaders Equity ETF	MSCI	MSCI	\$141,921	68,905	3/14/22
Invesco	Invesco MSCI Emerging Markets ESG Universal	MSCI	MSCI	\$166,852	78,470	3/14/22

	Screened UCITS ETF					
Northern Trust Corp	NT Emerging Markets ESG Leaders Equity Index Fund	MSCI	MSCI	\$4,198,255	2,041,085	2/28/22
Legal & General	L&G Quality Equity Dividends ESG Exclusions Emerging Markets UCITS ETF	FTSE Russell	<i>Unknown</i>	\$33,018	15,480	3/14/22
VTB Capital	VTBF Russian Equity ESG ETF	<i>Unknown</i>	<i>Unknown</i>	\$29,978	14,270	1/31/22
JP Morgan Chase	JPMorgan Global Emerging Markets Research Enhanced Index Equity ESG UCITS ETF	MSCI (the fund is actively managed, uses MSCI's emerging market enhanced w/ different weights)	N/A	\$545,228	495,662	3/14/22
State Street	State Street Emerging Markets ESG Screened Enhanced Equity Fund	MSCI	N/A	\$749,861	681,692	7/31/21

Deutsche Bank	Xtrackers MSCI AC World ESG Screened UCITS ETF	<i>MSCI</i>	<i>MSCI</i>	\$168,637	153,307	3/15/22
Aegon	AEGON Emerging Market ESG Equity Investment Fund	<i>N/A</i>	<i>Unknown</i>	\$131,825	119,841	11/30/21

PJSC Sberbank

Sberbank is Russia's largest bank with over 100 million retail customers.⁷ It is majority controlled by the Russian government.⁸ Sanctions against the bank were announced by the United States on February 24, 2022.⁹ The State Department called the bank "uniquely important to the Russian economy, holding about a third of all bank assets in Russia."¹⁰ Following sanctions, the bank's European subsidiaries experienced a liquidity crisis and it decided to leave the European market.¹¹

TOTAL ESG-LABELED INVESTMENT: \$35,801,568

TOTAL ESG-LABELED FUNDS: 22

Asset Manager	Fund Name	Index Provider	Rating Firm	Holdings Amount	Position	Filing Date
Vanguard	Vanguard ESG International Stock ETF	FTSE Russell	FTSE ESG Ratings	\$1,605,284	1,367,310	1/31/22
Vanguard	Vanguard ESG Emerging Markets All Cap Equity Index Fund	FTSE Russell	FTSE ESG Ratings	\$683,416	571,050	1/31/22
Vanguard	Vanguard ESG Global All Cap UCITS ETF	FTSE Russell	FTSE ESG Ratings	\$44,918	37,160	1/31/22

⁷ <https://www.investopedia.com/articles/investing/082015/6-biggest-russian-banks.asp>

⁸

https://www.google.com/search?q=Sberbank+and+state+AND+50%25&ei=raQrYqCTF9O4tQb625egDA&ved=0ahUKEwjgnZqM5772AhVTXM0KHfrcBcQQ4dUDCA4&uact=5&og=Sberbank+and+state+AND+50%25&gs_lcp=Cgdnd3Mtd2l6EAMyBQghEKABMgUIIRCgATIFCCEQoAE6BwgAEEcQsANKBAhBGABKB AhGGABQogVYvhJg-hRoAXABeACAAYwBiAHZBpIBAzAuN5gBAKABAcgBCMABAQ&scient=gws-wiz#:~:text=Russia%20Sanctions%20Hit,articles%20%E2%80%BA%20russia%2Ds...

⁹ <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220224>

¹⁰ <https://home.treasury.gov/news/press-releases/jy0608>

¹¹ <https://www.reuters.com/business/finance/russias-sberbank-leave-european-market-face-cash-outflows-2022-03-02/>

BlackRock	iShares ESG Aware MSCI EM ETF	MSCI	MSCI	\$12,156,222	10,004,860	3/14/22
BlackRock	BlackRock Emerging Markets ESG Screened Fund	MSCI	MSCI	\$36,150	29,456	5/31/21
BlackRock	iShares MSCI EM ESG Enhanced UCITS ETF	MSCI	MSCI	\$2,595,042	2,152,964	3/11/22
BlackRock	iShares MSCI EM IMI ESG Screened UCITS ETF	MSCI	MSCI	\$3,624,240	2,979,734	3/11/22
Invesco	Invesco MSCI Emerging Markets ESG Universal Screened UCITS ETF	MSCI	MSCI	\$92,529	78,200	3/14/22
UBS AG	UBS Irl ETF Plc - MSCI ACWI ESG Universal Low Carbon Select UCITS ETF	MSCI	MSCI	\$703,783	588,044	3/14/22
Credit Agricole	Amundi Index MSCI	MSCI	MSCI	\$375,024	312,064	2/28/22

	Emerging ESG Broad CTB ETF					
Northern Trust Corp	Northern Trust - Emerging Markets Custom ESG Equity Index UCITS FGR Fund	MSCI	MSCI	\$9,315,354	7,692,005	2/28/22
State Street Corp	State Street Emerging Markets ESG Screened Enhanced Equity Fund	MSCI	MSCI	\$3,468,347	2,847,107	7/31/21
State Street Corp	State Street Global Emerging Markets ESG Screened Index Equity Fund	MSCI	MSCI	\$651,854	552,724	1/31/22
VTB Capital	VTBF Russian Equity ESG ETF	<i>Unknown</i>	<i>Unknown</i>	\$13,045	10,730	1/31/22
Legal & General	L&G Quality Equity Dividends ESG Exclusion	FTSE Russell	<i>Unknown</i>	\$17,770	15,290	3/14/22

	s Emerging Markets UCITS ETF					
BlackRock	Blackrock Funds I ICAV - Blackrock Emerging Markets ESG Screened Fund	MSCI	MSCI	\$4,382	8,427	5/31/21
JPMorgan	JPMorgan Global Emerging Markets Research Enhanced Index Equity ESG UCITS ETF	MSCI (the fund is actively managed, uses MSCI's emerging market enhanced w/ different weights)	N/A	\$95,802	184,235	3/14/22
Deutsche Bank	Xtrackers MSCI AC World ESG Screened UCITS ETF	MSCI	MSCI	\$38,959	74,923	3/15/22
State Street	State Street Emerging Markets Select ESG Screened Equity Fund	<i>Unknown</i>	<i>Unknown</i>	\$9,751	18,752	7/31/21
Goldman Sachs	Goldman Sachs Funds	<i>Unknown</i>	N/A	\$236,645	455,087	1/31/22

	SICAV - Goldman Sachs Emerging Markets Equity ESG Portfolio					
Goldman Sachs	Goldman Sachs ESG Emerging Markets Equity Fund	<i>Unknown</i>	<i>N/A</i>	\$9,712	18,677	12/31/21
Aegon	AEGON Emerging Market ESG Equity Investment Fund	<i>N/A</i>	<i>Unknown</i>	\$23,339	44,844	11/30/21

PJSC Rosneft Oil Company

The company, which is headquartered in Moscow, is involved in exploration, development, production and sale of crude oil and gas.¹² The head of the company, Igor Sechin, was placed on the UK sanctions list in March 2022.¹³ According to the UK Office of Financial Sanctions Implementation, Rosneft “is the leading company in the Russian oil sector and the largest publicly owned oil and gas corporation in the world. Its main shareholder is ROSNEFTEGAZ JSC, which is 100% owned by the Government of Russia. It is therefore a Government of Russia affiliated entity.”¹⁴

TOTAL ESG-LABELED INVESTMENT: \$9,332,143

TOTAL ESG-LABELED FUNDS: 14

Asset Manager	Fund Name	Index Provider	Rating Firm	Holdings Amount	Position	Filing Date
BlackRock	iShares ESG Aware MSCI EM ETF	MSCI	MSCI	\$2,161,709	759,129	3/14/22
BlackRock	iShares MSCI EM ESG Enhanced UCITS ETF	MSCI	MSCI	\$417,872	151,068	3/11/22
BlackRock	iShares MSCI EM IMI ESG Screened UCITS ETF	MSCI	MSCI	\$785,046	279,723	3/11/22
Credit Agricole	Amundi Index MSCI	MSCI	MSCI	\$54,381	19,377	2/28/22

¹² <https://www.forbes.com/companies/rosneft/?sh=10973930498d>

¹³ <https://www.spglobal.com/commodity-insights/en/market-insights/latest-news/natural-gas/031022-uk-adds-heads-of-russian-energy-giants-gazprom-rosneft-to-sanctions-list>

¹⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1059928/Notice_Russia_100322.pdf

	Emerging ESG Broad CTB ETF					
State Street Corp	State Street Global Emerging Markets ESG Screened Index Equity Fund	MSCI	MSCI	\$190,464	66,565	1/31/22
Northern Trust Corp	Northern Trust - Emerging Markets Custom ESG Equity Index UCITS FGR Fund	MSCI	MSCI	\$2,377,281	823,739	2/28/22
Northern Trust Corp	NT Emerging Markets Custom Equity Index Fund	MSCI	MSCI	\$1,563,479	553,399	2/28/22
Northern Trust Corp	NT Emerging Market Multi Factor ESG	MSCI	MSCI	\$160,592	56,566	2/28/22
Invesco	Invesco MSCI Emerging Markets ESG Universal	MSCI	MSCI	\$22,396.99	8,052	3/14/22

	Screened UCITS ETF					
VTB Capital	VTBF Russian Equity ESG ETF	<i>Unknown</i>	<i>Unknown</i>	\$17,774	6,390	1/31/22
State Street	State Street Emerging Markets ESG Screened Enhanced Equity Fund	MSCI	MSCI	\$1,360,000	452,981	7/31/21
State Street	State Street Emerging Markets Select ESG Screened Equity Fund	<i>Unknown</i>	<i>Unknown</i>	\$47,229	15,743	7/31/21
Deutsche Bank	Xtrackers MSCI AC World ESG Screened UCITS ETF	MSCI	MSCI	\$134,004	44,668	3/15/22
Northern Trust	NT Emerging Markets Cust ESG Eq Index	MSCI	MSCI	\$39,915	12,305	2/8/22

VTB Bank

According to the U.S. Department of the Treasury, VTB Bank is Russia's second largest financial institution and holds approximately 20% of assets in Russia.¹⁵ The bank is majority owned by the government of Russia.¹⁶ Sanctions were announced by the United States on February 24, 2022.¹⁷ Recent media coverage suggests that VTB is preparing to wind down European operations following these sanctions.¹⁸ The UK froze VTB's assets in February but allowed the bank 30 days to close down business and pay staff.¹⁹

TOTAL ESG-LABELED INVESTMENT: \$1,555,984

TOTAL ESG-LABELED FUNDS: 14

Asset Manager	Fund Name	Index Provider	Rating Firm	Holdings Amount	Position	Filing Date
Vanguard	Vanguard ESG International Stock ETF	FTSE Russell	FTSE ESG Ratings	\$27,722 \$199,611	147,510,000 199,611	1/31/22
Vanguard	Vanguard ESG Emerging Markets All Cap Equity Index Fund	FTSE Russell	FTSE ESG Ratings	\$55,052	297,170,000	1/31/22
Vanguard	Vanguard ESG Global All Cap UCITS ETF	FTSE Russell	FTSE ESG Ratings	\$2,451	13,144,318	1/31/22
BlackRock	iShares MSCI EM ESG Enhanced	MSCI	MSCI	\$78,015	415,758,950	3/11/22

¹⁵ <https://home.treasury.gov/news/press-releases/jy0608>

¹⁶ <https://home.treasury.gov/news/press-releases/jy0608>

¹⁷ <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220224>

¹⁸ <https://www.ft.com/content/27adf446-517a-4c4b-89e8-dee8757252e9>

¹⁹ <https://www.ft.com/content/27adf446-517a-4c4b-89e8-dee8757252e9>

	UCITS ETF					
BlackRock	iShares MSCI EM IMI ESG Screened UCITS ETF	MSCI	MSCI	\$139,989	745,100,166	3/11/22
State Street Corp	State Street Emerging Markets ESG Screened Enhanced Equity Fund	MSCI	MSCI	\$292,215	1,619,814,020	7/31/21
State Street Corp	State Street Emerging Markets Select ESG Screened Equity Index	MSCI	MSCI	\$40,748	223,861,642	7/31/21
State Street Corp	State Street Global Emerging Markets ESG Screened Index Equity Fund	MSCI	MSCI	\$40,968	222,152,814	1/31/22
Credit Agricole	Amundi Index MSCI Emerging ESG Broad CTB ETF	MSCI	MSCI	\$16,229	88,003,678	2/28/22
Northern Trust Corp	Northern Trust - Emerging Markets	MSCI	MSCI	\$436,325	2,338,974,88 9	2/28/22

	Custom ESG Equity Index UCITS FGR Fund					
Northern Trust Corp	NT Emerging Market Multi Factor ESG	MSCI	MSCI	\$147,153	791,120,974	2/28/22
VTB Capital	VTBF Russian Equity ESG ETF	<i>Unknow n</i>	<i>Unkno wn</i>	\$8,833	49,180,000	1/31/22
Legal & General	L&G Quality Equity Dividends ESG Exclusions Emerging Markets UCITS ETF	FTSE Russell	<i>Unkno wn</i>	\$17,501	95,730,000	3/14/21
Northern Trust	NT Emerging Markets Custom Equity Index Fund	MSCI	MSCI	\$53,172	53,172	2/28/22

Russian Government Eurobonds

Russia has issued about \$40 billion in sovereign bonds, the proceeds of which fund the government's budget.²⁰ On February 22, 2022, the US sanctioned Russian sovereign debt.²¹ In March, Russia warned that payment on these bonds could be impacted by sanctions because state reserves are currently frozen.²² Foreigners are said to hold nearly \$80 billion of debt, including sovereign bonds²³ but Russian sovereign bonds are currently being ditched by funds²⁴ like the Danish Pension fund.²⁵ Holders of the Russian government's Eurobonds are detailed below.

TOTAL ESG-LABELED INVESTMENT: \$230,141,840

TOTAL ESG-LABELED FUNDS: 8

Asset Manager	Fund Name	Index Provider	Amount Held
Legal & General	L&G ESG Emerging Markets Government Bond Index Fund	JP Morgan	\$134,696,000
BlackRock	iShares JP Morgan ESG USD EM Bond UCITS ETF	JP Morgan	\$65,484,000
BlackRock	BlackRock Global ESG Emerging Markets Bond Fund	JP Morgan	\$8,241,400
BlackRock	iShares ESG Advanced Total USD Bond Market ETF	Bloomberg/MSCI partnership	\$1,025,000

²⁰ <https://www.reuters.com/markets/rates-bonds/russia-says-sovereign-bond-payments-will-depend-sanctions-2022-03-06/>

²¹ https://home.treasury.gov/system/files/126/russia_directive_1a.pdf

²² <https://www.reuters.com/markets/rates-bonds/russia-says-sovereign-bond-payments-will-depend-sanctions-2022-03-06/>

²³ https://economictimes.indiatimes.com/news/international/business/russian-risk-recalibration-a-wake-up-call-for-investors/articleshow/90117932.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

²⁴ <https://www.reuters.com/world/europe/norway-says-its-sovereign-fund-will-divest-russia-2022-02-27/>

²⁵ <https://www.responsible-investor.com/esg-round-up-danish-pensions-ditch-russian-sovereign-bonds/>

BlackRock	BGF ESG Fixed Income Global Opportunities Fund	<i>Actively Managed</i>	\$200,000
BlackRock	BlackRock Global ESG Emerging Markets Blended Bond Fund	JP Morgan	\$200,000
UBS AG	UBS ETF - JP Morgan USD EM IG ESG Diversified Bond UCITS ETF	JP Morgan	\$18,288,000
TCB Asset Management	TCB 6 Year ESG Emerging Market Bond Fund	<i>Unknown</i>	\$2,007,440