For professional clients and qualified investors only.

Sustainable mythbusting

Getting the facts straight on sustainable index investing investing

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

For decades, investors have been choosing an index approach to actively pursue the goals that matter to them most. Today, as more and more investors are recognising that sustainability-related considerations, such as climate change, can impact long-term returns, indexing is increasingly helping them transition to portfolios that better reflect their sustainable and financial goals.

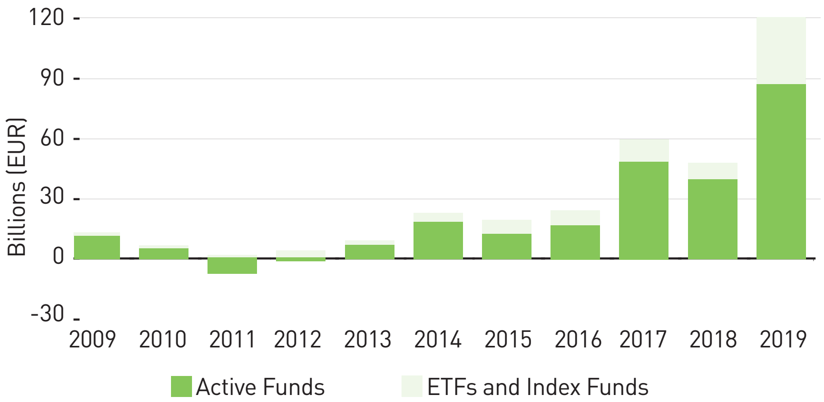
This shift is already visible in the accelerated growth of assets under management in sustainable index strategies. Assets in indexed products (ETFs and index funds) as a proportion of the global $1.4 trillion (all amounts given in USD) market for sustainable funds more than doubled to 16% in 2019 from 7% in 2015. We believe the growth of sustainable indexing is just getting started. Despite this strong growth, sustainable investing remains a nascent category. As a result, questions about the validity of sustainable indexing may arise from an incomplete understanding or outdated perception of index investing more broadly. Many misconceptions stem from the notion that 'sustainable investing is different', which infers that indexing cannot or should not work in this investment category in the way that it does across traditional equity and fixed income strategies.

We believe that this relatively new area of investing requires further education and argue that indexing is particularly valuable in the context of creating a common language for sustainable investing. Indexing is helping to transform a nebulous category, full of acronyms and jargon, by aggregating, standardising, and bringing transparency to sustainability data and investment methodologies. This transparency creates cost-effective, actionable exposures that make sustainable portfolio construction and management far more efficient.

The broad and growing range of sustainable indexing tools has brought a new level of choice and control to institutional investors, enabling them to target specific environmental, social and governance (ESG) outcomes and pick the strategies that align with their evolving sustainability objectives. It is also worth highlighting that many sustainable indexes are built from the same broad benchmarks that asset owners already track, but complemented with different layers of screens and ESG factors. As a result, investors can use indexes to directly express what sustainability means to them without altering their asset allocation strategies.

In the following pages, we debunk the common myths associated with sustainable index investing and provide the facts to help investors build more sustainable portfolios.

Annual European sustainable fund flows, 2010-19



Source: Morningstar Direct, Manager research. Data as of December 2019. For illustrative purposes only.

Myth 1 Sustainable investing lacks a common definition; there are no clear standards for building a sustainable portfolio.

Fact There are several standard methods to invest sustainably. Indexing can help you clearly align your investment approach with your sustainable and financial goals.

Myth 2 Sustainable investing is too nuanced for indexing and requires active management to express investor values and preferences regarding environmental, social and governance (ESG) factors.

Fact Index investing enables investors to implement their sustainability preferences in an explicit and consistent way across exposures.

Myth 3 Index fund managers lack the stewardship tools to drive change.

Fact Index fund managers deploying active investment stewardship can drive long-term change.

Myth 4 Sustainable indexing works for equities but not for fixed income exposures, and fixed income ESG data will continue to lag behind equities.

Fact Sustainability preferences can be applied across a range of fixed income exposures, and the drivers of ESG demand in fixed income are similar to those for other asset classes.

Myth 5 Sustainability comes at a premium.

Fact Indexing is bringing access to sustainable investing at a fraction of the cost. Until recently, sustainable investment strategies were only available through higher-fee actively managed funds, or highly customised mandates that required in-house ESG specialisation. Sustainable indices are helping drive down the total costs of investing sustainably while broadening the variety of available exposures.

Myth 6 You have to sacrifice performance when using sustainable indexing.

Fact Early evidence on ESG index performance strongly challenges the tired misconception that sustainable investing requires giving up financial returns for better ESG outcomes.

Want to learn more?

We have three options for you:

1 Listen to the "Sustainable Investing: Getting the facts straight" IPE webinar with Marta and Guido at www.ipe.com/events/webcasts.

2 Go to iShares.com read more about the facts on sustainable indexing or reach out to your iShares relationship manager.

3 Visit MSCI.com to access research and insights on ESG research, ratings and data.

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Source: BlackRock, as at 30 April 2020. This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This is for illustrative and informational purposes and is subject to change. It has not been approved by any regulatory authority or securities regulator. The opinions expressed are as of April 2020 from BlackRock and are subject to change at any time due to changes in market or economic conditions. **Risk Warnings: Capital at risk.** The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time. BlackRock has not considered the suitability of this investment against your individual needs and risk tolerance. The data displayed provides summary information. Investment should be made on the basis of the relevant Prospectus which is available from the manager. **Regulatory Information: This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.** Until 31 December 2020, issued by BlackRock Advisors (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: +44 (0)20 7743 3000. Registered in England and Wales No. 00796793. For your protection, telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock. From 1 January 2021, in the event the United Kingdom and the European Union do not enter into an arrangement which permits United Kingdom firms to offer and provide financial services into the European Economic Area, the issuer of this material is: (i) BlackRock Advisors (UK) Limited for all outside of the European Economic Area; and (ii) BlackRock (Netherlands) B.V. for in the European Economic Area, BlackRock (Netherlands) B.V. is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded. **For investors in Switzerland:** This document is marketing material. This document shall be exclusively made available to, and directed at, qualified investors as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended. Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy. This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer. **Index Disclaimers:** Any products, index or information referred to herein are not sponsored, endorsed or promoted by MSCI Inc. and MSCI Inc. bears no liability with respect to any such products, information or any index on which they are based. **© 2020 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES, BUILD ON BLACKROCK and SO WHAT DO I DO WITH MY MONEY are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners. MKTGH0820E-1306022**