

Focus

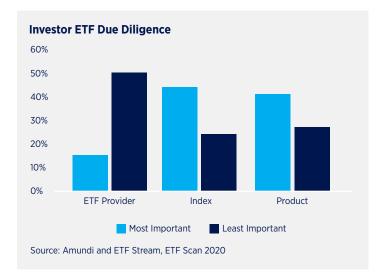
The importance of integrity

We are witnessing a surge in environmental, social and governance (ESG) investment across the investment industry, from index management to active and beyond. In Europe, more than 70 new sustainable ETFs launched in 2020 and over €28bn was invested across equity and fixed income ESG ETFs in the region. To put these numbers into context they represent increases of almost 45% and 300% respectively when compared to 2019.¹

Two-pronged approach to incorporating ESG

A passive investor has two axes through which to integrate ESG values in their investment strategy. The first and most commonly used axis is the investment itself – using the full spectrum of sustainable indices to find one that aligns with the investor's values or investment objectives. This could be a simple exclusionary approach or a more stringent best-in-class index. However, by stopping with this first axis, investors could be missing an opportunity to increase their impact; it is by digging deeper and using the axis of engagement, that investors can fully integrate their values.

But for most ETF investors, the priority is the index selection followed by the product when conducting their due diligence. Ensuring the index is aligned with the investor objectives is very important; and checking that the product tracks the index consistently is essential, as is finding a fund at the right price. But what about the ETF provider, why does that matter?



Matching your provider with your objectives

The assets invested through index-tracking vehicles have the same shareholder rights as actively managed holdings. Using those rights is a valuable way for asset managers to drive sustainable change and to ensure that investor objectives are met. For example, an investor may choose a climate index-tracking ETF because they believe in the importance of meeting the goals of the Paris agreement. But what if the ETF provider they had selected was using their shareholder rights to vote against climate resolutions. Would that be aligned with the investor's values and objectives?

Looking beneath the surface

With ESG ETFs available from most providers, it is important to look beyond the marketing and examine what lies beneath to ensure investors achieve the maximum impact with their ESG allocation. For example, what are the asset managers voting and engagement policies? And do their voting records match their rhetoric... and investors' core values? There are many ways to analyse this as most managers now publish their policies and reporting transparently on their websites. But a third-party perspective is also valuable – one organisation that reports on the voting activity of many of the largest asset managers is **ShareAction**. Their latest publication looks specifically at 60 asset managers and dives into their climate and social impact voting activity.

The Impact of Index Investing

The report highlights the difference between European and US asset managers, with Europe being significantly more advanced in its approach to voting around climate and social themes.

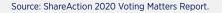
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When it comes to some of the largest ETF issuers, we note a real disparity in the approach to voting, with Amundi voting in favour of climate and social resolutions 89% of the time and at the other end of the spectrum, Blackrock only voting in favour of 12% of the same resolutions. This underscores the need for investors to do their due diligence to ensure that the ETF they are buying has more impact than that of the index it tracks.

Any experienced index manager should be able to track an ESG index; it is what they do. But a credible leader in ESG indexing will be able to go a step further and demonstrate the impact of their engagement and voting. Amundi has a comprehensive approach to shareholder advocacy, extending across both index and active investments. We are very proud of our record in engagement and voting – and invite you to dig deeper to find out more in our annual engagement report.

80% 60% 63% 67% 59% 40% 32% 36% 29% 0% EMEA US Average of Overall Average of Climate

Average positive voting on climate and social issues by region



Largest European ETF providers ranked by voting record

| | OVERALL | CLIMATE | SOCIAL |
|--------------|---------|---------|--------|
| Amundi | 89% | 91% | 88% |
| UBS | 79% | 91% | 67% |
| BNP Paribas | 72% | 65% | 80% |
| DWS | 66% | 66% | 65% |
| Invesco | 37% | 52% | 19% |
| State Street | 35% | 40% | 29% |
| Vanguard | 14% | 15% | 12% |
| BlackRock | 12% | 11% | 12% |

Source: ShareAction 2020 Voting Matters Report.

If you would like to read the full ShareAction Voting Matters 2020 report, visit shareaction.org or to explore Amundi's extensive range of sustainable ETFs, which all benefit from the Amundi voting and engagement policy, visit amundietf.fr/responsible-investing.

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