

IS RESPONSIBLE INVESTMENT COMPATIBLE WITH PASSIVE MANAGEMENT?

Novethic publishes the first study on the subject

Paris, 17 February 2014

The Novethic research centre is exploring what is still a new field for responsible investment: **passive management**. The study reviews how investors are innovating to implement their responsible investment policy in a management strategy that is generally seen as incompatible with environmental, social and governance (ESG) criteria.

Passive management, based on the mathematical replication of stock indices, initially showed no interest in analysing index constituents, either financially or non-financially.

But **the growing number of investors compiling black lists excluding companies for controversial activities has shifted the paradigm**. It has also created a demand, since investors are looking to apply these exclusions to all their assets. Passive managers are beginning to develop needs-adapted products, and some European pension funds are even building their own ESG indices.

Why should responsible investment care about passive management? Because passive management is growing considerably and estimated to account for up to **20% of assets under management worldwide**. Also, to influence companies' ESG strategies, responsible investors need to mobilise all their assets.

SRI indices exist but have yet to attract investors. In the last ten years, ESG rating agencies have joined forces with index providers to develop SRI indices. Novethic has identified 160 such indices worldwide.

But investors still prefer conventional indices excluding companies involved in controversial weapons for example. This was the case for 26% of a panel of European asset owners surveyed by Novethic in December 2013.

To find out more, read the study

[“Reconciling responsible investment and passive management”](#)

Press contact: Célia Juère – celia.juere@novethic.fr - + 33 (0) 1 58 50 98 23

Novethic is a leading research centre on responsible investment. Founded in 2001, it produces studies and awards an SRI Label. Novethic is a part of Caisse des Dépôts.
www.novethic.com

