FLASH NOTE

03.02.2021

The Growing Importance of Active ESG Management

Length

1 minute(s) read

As the trend towards sustainable investing[1] grows, investment products multiply, providing investors with a wide range of strategies to choose from. These products offer a variety of solutions to societal and environmental challenges and are available through both passive and active approaches – in other words whether the fund actively or passively manages environmental, social and governance (ESG) risks and opportunities.

The passive route has been a significant driving force behind growth in sustainable investment markets, probably since it has lower fees, it is scalable, easier to implement and to audit internally. However, at Carmignac, we believe active management is decisive to create value for our clients and to drive effective environmental and societal changes in the long run.

This paper, written by Justin Kew, ESG Analyst at Carmignac and endorsed via a foreword by Alex Edmans[2], studies the limitations of passive approaches to sustainable investing over active approaches.

Read the full paper

(1) 'Sustainable investing' is a broad term that means to consider environmental, social and governance (ESG) factors into investment decisions and/or ownership, in order to achieve long-term returns. It is often used interchangeably with other terms such as responsible and ethical investing (PRI, 2020). (2) Professor of Finance at the London Business School and author of "Grow the Pie: How Great Companies Deliver Both Purpose and Profit", March 2020.