

# ECO:FACT

## Should controversial weapons be removed from benchmark indices?

- There are many reasons why institutional investors should not invest in **companies that produce weapons banned by international treaties**. However, this remains a **challenging task**.
- In February 2019, a group of 168\* investors managing USD 9.0 trillion **called on index providers “to remove companies involved in controversial weapons from mainstream indices”** as “the default position should be to exclude controversial weapons from active and passive investments.”
- The goal is to **help institutional investors** to avoid extra tracking error and enable passive investors to replicate traditional indices.
- This may just be the beginning, as it may be required that mainstream indices **take other ESG issues into account** (first and foremost climate risks).
- However, **institutional investors should not wait** until index providers adapt their products, as they already face **growing due diligence expectations** (UN, OECD, national law).