

## **Mainstreaming Responsible Investment in France: How Calculative Agencies Sustain and Shape Markets**

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## **Abstract**

The purpose of this study is to investigate the role of calculative agencies in the construction of a market for Responsible Investment (RI). Although recent theory suggest that calculative agencies are crucial to market emergence, little is known the processes whereby these organizations emerge and interplay to equip actors with the calculative capacities needed to support economic exchanges. We rely on an in-depth field study of the French market for Responsible Investment to show how successive calculative agencies have progressively enacted a calculability infrastructure that crosses organizational boundaries and sustain the existence of this new market. We specify the material and symbolic roles played by this infrastructure for organizational actors involved in the RI market and highlight configurations of calculative agencies' interactions that sustain this market development.

## **Mainstreaming Responsible Investment in France: How Calculative Agencies Sustain and Shape Markets**

Corporate Social Responsibility (CSR) resurgence can be seen as a commodification process (Shamir, 2005) whereby organizational actors aims at reintegrating negative externalities within the scope of market mechanism (Crouch, 2006). The market for Responsible Investment (RI) is a striking instance of these merging ‘markets for virtue’ (Vogel, 2005) which demonstrate the capacity of capitalism to recycle its own critique while generating new business opportunities (Boltanski and Chiappello 2005). Central to the development of RI markets is the construction of new metrics, assessment standards, and calculative devices which turn the elusive concepts of CSR into a measurable entity (Déjean, Gond and Leca 2004, Markowitz 2007, Waddock 2008). Once such metrics are in place, the social responsibility of stocks can be assessed and ‘responsible’ financial products can thus be developed, marketed, and ultimately exchanged on financial markets (Acquier and Aggeri 2007, Louche 2004). Because measuring CSR is an especially challenging task (Chatterji, Levine and Toffel 2009; Gond and Crane 2010, Rowley and Berman 2000), responsible investment markets are ideal contexts to uncover how calculative agencies to enable actors to perform economic exchanges and thus shape and sustain markets.

Although recent theory suggest that calculative agencies are crucial to market construction (Beunza and Stark 2004, Callon 1998, Callon and Muniesa 2005, MacKenzie 2006), little is known about the processes whereby these organizations interplay with each other for the purpose of equipping actors with the calculative capacities needed to support exchanges. The construction, distribution, and maintenance of actors’ calculative capacities may involve a long chain of intermediary organizations as well as their active coordination (Callon and Muniesa, 2005: 1235). However, the process whereby such a ‘calculative infrastructure’ emerges in the process of market construction has been overlooked in organizations studies.

In this paper, we address this gap and clarify how organizations making goods ‘calculable’ have successively emerged and linked with each other to build a ‘calculative infrastructure’ that sustain a new market. To do so, we rely on an in-depth and longitudinal field study of the French market for Responsible Investment. We show how successive calculative agencies have interacted with central actors of the field to build a calculative infrastructure that cross organizational boundaries and sustain the existence of this market on the supply as well as the demand side. We specify the material and symbolic roles played by this infrastructure for organizational actors involved in the RI market, highlight which configurations of calculative agencies’ interactions have been instrumental in sustaining market development, and show how these configurations have changed, faded or being stabilized across time. Hence, our contribution points to the organizational life that underlies the ‘changing geopolitics of calculative power’ (Callon and Muniesa 2005: 1238).

### **ORGANIZING CALCULABILITY TO CONSTRUCT MARKETS**

Approaching markets as ‘calculative collective devices’ allows considering fully the role of organizations supporting market functioning and development by enabling actors’ calculative capacities (Callon and Muniesa 2005: 1229). This section introduces this stream of research and its main assumptions, and relies on prior empirical studies to specify the various roles of calculative agencies in market emergence and development. The problem of a calculative infrastructure construction is then framed as an issue related to calculative organizations collaboration, coordination, and interactions.

#### **Markets as Calculative Devices**

Sociology of markets proposes numerous theories of market that point to mechanisms neglected in prior economic analyses of markets, such as social networks (Uzzy 1997, White 1981), actors’ power positions in their field (Bourdieu 2005), or state support and political willingness (Fligstein 1990). These approaches share a critical view on economists’

explanations of market functioning and aim at explaining how society actually ‘produces’ or ‘sustains’ markets’ functioning (Fourcade 2007). By contrast, the performativity perspective sees economics ‘not as a (misguided) science of capitalism but as its technology, that is, as one of the active ingredients in the production and reproduction of market orders’ (Fourcade 2007: 1025). Relying on Milton Friedman’s (1953) metaphor, MacKenzie (2006) argues that economic models are not ‘cameras’ which describe and passively record the external economic world. Rather, economic models act like ‘engines’ which make concrete things and create economic relationships their theories describe. Hence, this perspective allows uncovering ‘how markets produce society’ (Fourcade 2007), by pointing to the central role of calculative tools and devices produced by economics theory in the making and functioning of markets (Callon 1998, Callon 2007).

According to this perspective, markets are conceived as ‘calculative collective devices’ which enable actors to make decision by allowing the evaluations of the properties from the goods to be exchanged (Callon and Muniesa 2005: 1229). Prior studies suggest numerous calculative devices support the process of singularization whereby the properties of good or a service are revealed, materialized, and made ‘calculable’ so that actors could exchange it on a market. For instance, Karpik (2000) or Rao, Monin and Durand (2003) show the crucial role of guides and classification schemes in the encounter of supply and demand in the gastronomic industry; Beunza and Garud (2007) highlight the challenges related to the search of a metric for new business-models valuations by securities analysts in the uncertain context surrounding the Internet bubble.

The calculability perspective has proved fruitful to understand the making of markets as diverse as carbon trading (Callon 2009, MacKenzie 2009), financial derivatives (Beunza, Hardie & MacKenzie 2006, MacKenzie and Millo 2003, Martin 2005) or the recent subprime

bubble (Poon 2009). It suggests focusing the analysis of market construction and development on the organizations acting as ‘calculative agencies’.

### **Calculative Agencies and Market-making**

Calculative agencies provide multiple services in the process of market development and their existence contribute to make market ‘happen’. They provide the several layers of calculability that are needed for actors to exchange goods and services. First, they create ‘first order measurement’ (Power 2004) by producing raw data needed to perform other kind of calculation. This involves the construction of classifications and frameworks to organize data as well as an intensive and systematic bureaucratic work to maintain the standards properties of data-collection over time and space (Desrozières 1993, Porter 2004, Power 2004) and enhance the commensurability of information from various sources (Espeland 1998). The important investments required to obtain this basic information is often neglected but is clearly highlighted, for instance, in the historical works on the emergence and development of the practice of census (Porter 2005).

Second, these agencies may also perform and provide ‘second order measurement’ (Power 2004), that is, data such as ratios, ratings or ranking calculated out of the prior data and that helps actors’ performing various tasks. For instance, accountability systems produce a broad spectrum of ‘raw data’ that can be subsequently used for the production of ratios such return on investment. These various layers of calculability provide a market with its calculability infrastructure that allows market transactions to happen.

Calculability sustains the development of markets mainly by removing, displacing and recreating forms and sources of uncertainties. On the supply side, calculability may be needed to integrate important information within the process of product development. Typically marketing techniques such as consumers’ polls and surveys have been developed in to turn uncertainty related to consumers’ preferences into information for modifying, branding

and/or developing products (Cochoy 1998). Poon (2009) highlighted the crucial role of credit-scoring tools for evaluating the probability of payment defaults in the construction of the sub-prime market. These works suggest calculability can push markets by making the construction of products possible.

On the demand side, consumers' choice and decision-making can be obscured by the diversity of market products and services and the uncertainty surrounding the quality of these products/services (Akerlof, 1970). This is especially true in contexts within which consumers' evaluation requires knowledge and/or expertise, such as in the case of expensive wine, classical music, higher education, or law services (Karpik 2000, 2002). In these market calculative devices and tools such as rankings, comparative analyses and ratings may play a key role to reveal consumers information about the goods and services they seek to purchase (Sauder 2008). Calculability contributes thus also to the smooth intermediation of supply and demand and makes market developments and consolidation possible.

### **Organizing Calculability for Responsible Investment**

In the present study, we focus on the organization of calculability for the purpose of Responsible Investment and analyze how calculability sustains and shapes market emergence, development and consolidation. We include within the scope of our analysis the supply and demand side of the market as well as the broad set of intermediary organizations that contribute to interface supply and demand. Our aim is to uncover how the competition, collaboration and relationships between calculative agencies contributed to shape the development of the RI market.

Building responsible investment products and services involve overcoming the uncertainty surrounding the definition and measurement of what makes this form of investment specific which is its 'responsible' nature. Prior research suggests measuring corporate social responsibility is an especially challenging task (Chatterji, Levine and Toffel

2009, Gond and Crane 2010, Igalens and Gond 2005, Rowley and Berman 2000). Organizing calculability for responsible investment thus involve overcoming the central uncertainty surrounding CSR measurement to equip the supply and the demand side of the market.

Our research questions can thus be phrased as follows:

- *How have calculative agencies make ‘social responsibility’ calculable?*
- *How do calculative agencies equip and interface supply and demand actors by maintaining ‘social responsibility’ calculability in the market?*
- *How do calculative agencies interplay to enact, support and maintain a calculative infrastructure?*

## **RESEARCH CONTEXT, METHOD AND DATA**

### **Research Context: Responsible Investment in France**

We focus in this paper on the role of calculative agencies in the construction of a market for responsible investment in France. By and large, Responsible Investment can be defined as the integration within investors’ decision-making processes of non-financial considerations together with traditional financial considerations of firm performance (Louche 2004, Sparkes and Cowton 2004). These ‘non-financial’ or ‘extra-financial’ covers issues related to corporate behaviour in the religious, ethical, social, environmental or governance domain.

Responsible investment can be defined more broadly than a market as an ‘organizational field’ (DiMaggio and Powell 1983) encompassing a broad range of actors who wish to use financial markets for the purpose of enhancing corporate responsibility (e.g., NGOs, environmentalists, activists) and/or to develop products, services and other market activities related to responsible investment (Shamir 2005, Vogel 2005). For instance, a ‘by-product’ of responsible investment is the development of financial and communication consultancy services aiming at helping corporations to present themselves as socially responsible on financial markets.

Historically, the market for responsible investment originated in Methodists religious groups' willingness to avoid investing in the so-called 'sin stocks', that is, corporations operating in industrial sectors morally reproved by these investors such as tobacco, alcohol or pornography (Domini 1992). Since then, the US RI market has been nurtured by the development of successive social movements, such as the civil rights movement, the anti-Vietnam war movement or the anti-Apartheid movement (Giamporcaro 2006). These movements have created rationales for mobilizing financial market as political tools in order to put pressure on corporations (Alinsky, 1971).

However, the contemporary development of the French market for RI departs significantly from such a religious and political genesis. Although religious forms of investments have appeared in France in the early eighties, they did not contribute to a significant development of the RI market. Between the early 1980 and 1997, only 7 responsible investment products have been commercialized. This figure will jump to more than 150 a few years later, and the market takes-off soon after the creation of a first agency aiming at providing a sound basis for CSR calculability. Our analysis starts at this period and focuses on the progressive construction of a calculative infrastructure for RI in France.

### **Describing the Calculative Infrastructure for Responsible Investment**

In order for us to describe the calculability infrastructure construction in the French market for RI, we introduce the main categories of calculative agencies that operate on the French RI market. We classify these organizations into four categories which correspond to actors operating at different stages of the RI 'value chain' and thus performing various calculative functions. These agencies are: extra-financial information providers (hereafter information provider), asset managers operating on the RI market, asset owners operating on the RI market, and finally RI infomediaries. We describe each of these actors as well as their roles in the RI market.

### ***Information Providers (IP)***

Extra-financial information provider (IP)<sup>i</sup> is defined in the present study as any organization which sells to its clients—usually asset managers, and more rarely assets owners—calculative and judgment devices on CSR. This information can be provided in the form of screening, scoring, ranking, rating or ‘rawer’ databases. Numerous terms are used in the literature and the media to label these organisations: social rating organizations, SRI research agencies, screening agencies, or ESG rating agencies.

### ***Asset Managers (AM)***

Asset management consists of investing money in financial markets on behalf of institutional clients, private clients or mutual funds. Asset managers (AM) propose their services to clients with the promise of increasing financial performance. Trust is central to the relationship between AM and their clients, because clients must be confident in the ability of AM to mobilize calculative and judgment devices in order to secure a financial return.

In this study we focus responsible AM, that is, asset managers that seek positive financial returns for its clients but yet present the features related to ‘responsible investment’, such as managing funds labeled on the market as ‘socially responsible’ or having constructed dedicated RI strategies on behalf of French institutional clients. Hence the first stage of the construction of any SRI product or RI strategies consists of the production of data on CSR aspects. In France, until 1997, these aspects were not covered by the financial information industry. If an RI asset manager wished to base its investment decisions on ESG concerns, the manager first needed to obtain relevant information from external or internal calculative and judgment device about the CSR of the entities in which they wish to invest.

### ***Asset Owners (AO)***

Although Asset Owners (AO) can be either individual or institutional investors, we focus in the present study on institutional investors because they played a dominant role in the

later stages of market development. In addition, these investors have superior organizational and financial means to create or use more sophisticated calculative and judgment devices when they delegate their investment choices to asset management companies. A majority of these institutional investors—such as pension funds or other retirement and saving employee scheme—are not the final owners of the assets they are in charge of. They are usually multi-stakeholder organizations gathering technocrats, political appointees, employee and employer representatives, and they have the collective duty to invest the money on behalf of final beneficiaries in order to assure financial protection during old age. A ‘responsible’ institutional investor is identified in this study as an organization which buys external SRI products and /or declares to develop an internal RI investment strategy.

### ***Infomediaries (IF)***

We label as RI ‘infomediaries’ (IF) a fourth category that groups actors realizing some forms of calculations in the RI but that are not directly involved in the construction and commercialization of RI products, and are thus not included in the three former categories. These RI infomediaries refer to organizations producing, releasing or selling more or less sophisticated and aggregated quantitative and qualitative dataset information on the RI markets. These actors include business associations, research organizations, investment advisers and consultancies which seek to develop the market RI and thus produce market studies or aggregated information on the RI market. They act as ‘calculative agencies’ on the French RI Market and thus participate actively in the shaping of the RI field.

### **Data collection**

To study the social construction of the RI market, we conducted a longitudinal analysis of the RI field development focused on the role of four categories of calculative agencies we distinguished. We combined several data-collection methods focused on primary as well as secondary data sources to ensure a good coverage of the various actors. Table I

presents an overview of the methods and sources of information for each of the four categories of calculative agencies that we describe below.

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INSERT TABLE I ABOUT HERE  
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### ***Questionnaires***

One of the authors of this paper worked between 2001 and 2007 as a researcher for one of the principal infomediaries in France, called Novethic. One of her role was to build calculation devices in order to quantify the number, type and assets managed through SRI financial products on a quarterly base for a publication called the *SRI Barometer*. This quantification exercise dealt also with the identification of other facts such as the amount of asset managers supplying SRI products and which extra-financial information providers' expertise they chose. Thanks to her unique position, this author could access primary quantitative and qualitative data about the development of the French RI market.

### ***Interviews***

We conducted in-depth interviews with individuals working for extra-financial information providers and asset managers who were in charge to create and administrate calculative and judgment devices of the companies. The purpose of these interviews was to gather information about the construction and utilization of these emerging calculative and judgment device in context.

### ***Participatory observation***

Because one of this paper's authors was employed as a researcher for one of the principal French infomediaries for several years, she could realize a detailed ethnography of the research field. Notes were taken on a weekly base on the various meetings, workshops, conferences and other face to face, mail, phone interactions that she had with the various extra-financial information providers, asset managers, assets owner and infomediaries involved in the RI market in France during this period.

## ***Secondary data***

During the research period, it was possible to gather an extensive database of article dealing with the SRI and RI French market. The media watch was updated weekly and provided an extensive and in depth view of the trends and movement in the French market during the period of time. Relevant secondary data report such the ORSE guide 2004 and 2005 which provided detailed information on extra-financial information providers.

## **Data analysis**

To make sense of our process data we relied on several techniques such as temporal bracketing, narrative analysis, and quantification (Langley 1999).

### ***Temporal bracketing***

We built a chronology of facts and events related to this industry and identified key periods of development. Table II presents the chronology of key events that have structured market development according to prior research and secondary data.

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We use this information to ‘bracket’ the unfolding of the French RI market construction into three periods corresponding to specific regimes of calculability and stages of RI supply and demand development:

- a ‘*pioneering stage*’ from 1997 to 2002, which was dominated by a centralized information provider (ARESE) and was the occasion of the mergence of the intermediation of supply and demand for RI products;
- a ‘*legalization / consolidation stage*’ from 2002 and 2005 which is characterized by the market shaping through legal frameworks, a multiplication of information providers and a displacement of debates around calculability uncertainties from Information Providers to Asset Managers;

- A ‘*mainstreaming stage*’ from 2005 to 2008 corresponds to a period during which the locus of calculability moves into the hands of Asset Owners whereas the size of the market increases drastically due to entrance of these actors on the market.

This temporal bracketing provides the underlying structure of our qualitative analysis.

### ***Narrative Analysis.***

We also used a narrative approach to describe what happened in terms of calculability and market-making at each period and specify the roles played by the four categories of calculative agencies we distinguished at each period.

### ***Quantification***

Finally, when possible, we relied on available and primary quantified information to specify the process of market development and construction and to identify trends in terms of locus of calculability control among the various categories of agencies. Table III provides some of this quantified information at each stage of market development between 2003 and 2008.

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These analyses inform our findings that specify the succession of calculability regimes explaining the progressive construction of the French RI market.

## **FINDINGS: REGIMES OF CALCULABILITY AND MARKET DEVELOPMENT**

### **Period 1 – 1997-2002 – Market Emergence and Calculability Centralization**

#### ***Context of RI development***

Before the mid-1990s, the market for RI did not exist as such in France, even though a small niche of religious investors already relied on extra-financial information for investment purpose. This activity was realized through the effort of a few charismatic persons such as Soeur Nicole Reille, the investor of a Catholic congregation, who has created in the early

eighties an association grouping a handful of experts to help her selecting corporations matching Christian values (Déjean 2004, Giamporcaro 2006). Yet, this work did not establish a solid ground for market development, and only 7 RI funds and products would be developed from the early 1980s until the mid 1990's. The situation changed drastically after 1997, and numerous observers of this market have credited the pioneer French social and environmental organization Arese for having triggered the RI market take-off.

### ***ARESE: A Central Calculative Agency***

Arese, a joint-venture of the two French state-owned banks, the *Caisses d'Epargne* and the *Caisse des Dépôts et Consignations* (CDC), was launched in 1997 under the leadership of Geneviève Féron with the mission of providing the financial marketplace with information on French stock's social responsibility. What was initially regarded in the .com bubble context as an experimental start-up, inspired by the American model of KLD and the experience of Centreinfo in Switzerland, was soon to become a central actor in the French RI landscape.

With the aid of experts in statistics from the CDC and a workforce of less than 10 people, this information provider tackles the issue of making CSR calculable and developed through trial and error a methodology to turn the data available on social and environmental aspects of the biggest French corporations into quantified and systematic ratings to be used by investors. Originally, Arese's methodology was shaped by Total Quality management frameworks and a stakeholder description of corporations (Gond 2003, 2006). The so-called 'extra-financial' analysts of Arese would thus collect and aggregate various sources of information, such as data gathered through in-house questionnaires, and secondary data such as the corporations' *bilan social*—a mandatory document providing information on HR and social aspects of management—or datasets of polluted corporate sites available through the ministry of environment. The young team searched 'raw data' as quantified as possible.

They thus aggregated and analyzed it through factors analysis and other statistical techniques such as clustering to obtain within each industrial sector a ranking of corporations on five criteria.

Thank to these efforts, the Arese team came up with a first rating of the French top 40 corporations in 1998 and expended their analysis to the SBF 120 later the same year. From then, they start covering non French stocks. Between 1999 and 2002, Arese methodology had to be reshaped and adapted several times to catch-up with the market demand. For instance, the initial methodology was very sensitive to the inclusion of new corporations and all the calculation had to be remade to re-establish a final ranking and thus the rating each time a new corporation was added. This approach was not compatible with AM demand for an extended coverage. In addition, the rating of non-French corporations also called for the search of new sources of information, beyond French official documents and datasets initially used to serve as a basis for quantification.

The most dramatic change of calculative techniques appeared in 2000 and was related to the internal move from a purely rigid and quantified internal system to a more flexible system of scoring allowing the analysts to inform an assessment grid that was then used to produce the ranking and the final ratings (Gond 2006). This technique has been developed so that the analysts could use available quantified information but also the qualitative information they gathered from meetings with corporate executives of French corporations. Indeed, at this stage Arese was already regarded as a legitimate actor by the biggest French corporations, and its analysts were invited by executives, as regular financial analysts, to provide information about the non-financial aspects of corporate strategy.

### ***Asset Managers: Co-Constructing Calculative Capacities***

During these pioneering years, most of the new RI products were built by Asset Managers relying on the Arese dataset (Déjean 2004), in several cases though a partnership

relationship that can be regarded as co-construction. Prior studies of Arese suggest the outcomes of Arese's analysis were several times reshaped to meet the expectations of its clients (Déjean et al. 2004, Gond 2003, 2006). Interviews with Asset Managers having developed RI product over this period suggest a co-construction of the methodology. Indeed, Arese did not have a lot of investors as clients and would spend time with them to discuss and explain each methodological move, as explained by a buy side analyst from Crédit Lyonnais:

‘At this stage, we could spend one day with ARESE analysts to discuss with them about the methodology, the stakes by sector. At the beginning we used to spoke with all the analysts. It was interesting to meet them at the beginning because they were happy to meet with us and to really understand how we will use their work. It was easy because it was a bunch of young people and it seemed that we were constructing the methodology together instead of being in a simple clients-providers relation ship’.

Although a few pioneer clients of Arese provided useful feedback for developing the methodology, Déjean (2004) describes the relationship between Arese and most AM between 1997 and 2002 as a process of ‘delegation’. The expertise for evaluating and calculating CSR was to a large extent delegated to the external calculative agency. AM value added was in the process of developing the financial products by using this information to select a universe of companies and/or by combining this data with regular financial ratios to identify which socially responsible stock to include in the portfolio.

Several trends illustrate the prominence of Arese during this period. First, most of the newly created financial products developed by AM from 1997 to 2002 would rely on this methodology. In several cases these AM mentioned in their advertising the use of Arese as a guarantee of quality. Second, from 2001, more and more corporations from the CAC 40 mentioned information related top their rating in their external communication to demonstrate the soundness of their CSR initiative of policy (Déjean 2004, Déjean et al. 2004, Gond and Leca 2006). Third and finally, Arese benefited from a high level of media coverage, more than 200 news papers articles would be published on Arese over this period in mainstream French media (Gond 2006).

### ***Market Structure and Development***

From 1997 to 2002, the French RI market was thus dominated by the centralized calculative capacities of Arese on which relied most of the other actors in the market, and in particular Asset Manager, who could use this credible source to justify internally the creation of dedicated RI products and communicate externally by using an already established brand (Déjean 2004). Although maintaining this calculative capacity in a context of market development involved several methodological adjustments, this overall configuration has been maintained until the emergence of challengers to Arese leadership. Calculative capacity for RI were mostly centralized and partially co-constructed through the interactions of AM with this central information provider.

However, the development of the RI market attracted not only AM keen to diversify their offer of financial products, but also more politically oriented actors approaching this form of investment as a way to conciliate a tension between, on the one hand an ‘anti-financial market’ ideology stressing the importance of public services and social welfare over shareholders’ benefits, and, on the other hand, the need to mobilize more systematically financial markets to manage public organizations’ pensions or employees’ savings. The perspective to manage employees’ savings according to RI standards attracted the attention of labour unions and state officials. As a consequence, RI was integrated in the political debates about employees’ savings and the reform of French pension scheme.

The outcome of these debates is a set of laws from 2001: the ‘Loi Fabius’, from the 19 February 2001 (law 2001-152), creates for investors in charge of employees’ saving schemes to disclose how they take into account ethical, social and environmental information in their investment decision and in the exercise of shareholder rights; the law 2001-624, on the other hand created the ‘FRR’, an acronym which stands for *Fonds de Réserve des Retraites*, a public retirement buffer funds that was to be created to prevent liquidity default of the “pay as you

go” French retirement system through financial markets and whose promoters were committed to take into account ethical, social and environmental concerns in the fund investment decisions.

The same year, the *Loi sur les Nouvelles Régulations Economiques* (so-called law NRE) would be voted too. This law would contribute to consolidate the structure of the RI market by making the disclosure of information about social and environmental management mandatory within the financial statement of all the stock rated corporations from 2002. This framework secured the availability of primary data and information for extra-financial information provider such as Arese, and legitimized the information demands from this agency in the eyes of sceptical actors.

### ***Describing the New Market: Emergence of Infomediaries***

During the late years of the pioneering period, several ‘Infomediaries’ emerged with the aim of providing market actors with an aggregated information about the development of the market. Hence, in 1999, the Italian extra-financial information provider Avanzi SRI research launched an electronic database on the mutual SRI funds available in Europe and released annually a report describing the state of the market in various European countries. The Eurosif (European Social Investment Forum), a non profit organisation financed by European subventions is created in 2000 for promoting the development of the RI market. This organization is designed as the counterpart of the US Social Investment Forum and aims at harmonizing RI practices in Europe. To do so, this organization started a work of data collection to describe the state of the European market for RI, confronting national definitions of RI, and aggregating the available information.

In France, a similar calculative work of market description is started by a new organization launched in 2001, Novethic, a subsidiary of the Caisse des Depots and Consignations (CDC) that collect and diffuse information about the RI market.

## **Period 2 – Market Consolidation and Calculability Redistribution (2002-2005)**

### ***A Changing Context***

The market growth of the French RI persisted in the context of the .com bubble crash, with numerous asset managers coming in and an increased diversification of the RI products offer. Between 1997 and 2002, the number of AM on the market increased from 7 to 35 (see Table III). This new actors would consolidate a market structure centred on Arese. However, the legal consolidation of the French market in the years 2001 and 2002 through the laws on employees' savings and public pension fund management, by calling in new actors such as labour unions and asset owner would progressively reshape the power dynamics and the distribution of calculative capacities. First, Nicole Notat, the former head of a prominent French labour union about to quit her position announced before the summer of 2002 her willingness to create a new social rating agency that would compete with Arese.

Second, French labour unions get together to create the CIES—an acronym that stands for inter-union committee for employees' savings—and mobilize the possibility to create a label for guarantying the social quality of 'products'. This process of label creation by labour unions existed 'theoretically' in the legal framework regulating unions but had been scarcely used in the past (Déjean 2005). Labour unions used it in the financial marketplace to maintain their weight in the management of employees' savings. Only those AM's financial products that received the CIES label would be allowed to manage employees' savings.

These two changes would have lasting effect on the French RI market calculability infrastructure by reshaping the extra-financial information provider market as well as the behaviours of asset managers.

### ***Calculative Agencies Competition***

After Nicole Notat's announce of her project, the shareholders of Arese suggested merging both projects in order to have a consolidated offer of extra-financial information in France. In 2002, the two organizations are merged to form Vigeo, under the leadership of Nicole Notat. In order to create a viable business model on the calculative and judgment activity, the head of Vigeo decided to create a multipartite ownership where all the main French companies and trades unions will be represented. Nicole Notat also took the decision to develop next to the CSR judgment device for investors, an audit judgment device that will be paid by companies to understand in depth the state of their CSR performance. Several controversies would unfold in the media about the ability of Vigeo to stay independent bodies with such strategic choices.

Although Vigeo inherited from the legacy of Arese and thus had an important client basis, the competition for calculating CSR would suddenly increase, creating a real market for extra-financial information. First, Arese former CEO created a competing agency, CoreRating. Second, European and American providers of extra-financial information emerged on the French market. Third, Innovest, an American based information provider decided to create a subsidiary in Paris to compete on this market with a new offer, more focused on the environmental aspect of CSR. Fourth, the UK based Eiris agency was soon to offer research services on the French market.

However, this competitive context did not lead directly to an important spread of calculative capacities among various agencies. The leadership of Vigeo was maintained and the calculative capacities remained centralized and concentrated in the hands of Arese. From 2003 to 2005, Vigeo was still the most used extra-financial information providers on the French market with a steady market share moving from 46% to 47% (Table III).

### ***Asset Managers: Re-internalizing Calculative Expertise***

Although the calculative capacities of information provider were not yet spread laterally, they would expand vertically over this period, through the development of important CSR calculative capacities on the AM side. This internalization of calculative capacities resulted from both the multiplication of information providers and the creations of the labour union label (CIES).

On the one hand, the multiplication of information providers providing sometimes contradictory expertise or ratings on the same corporations created an opportunity to develop AM own in-house expertise and capacity of judgement. This new source of uncertainty related to the multiplication of calculative devices on the market calls for new forms of calculability. On the other hand, the CIES label aimed at controlling the activities of AM in the CSR domain. Hence, labour unions would push for AM to be responsible for their decisions in this domain. This approach to responsible asset management questioned the ‘delegation’ model that dominated the market thus far and also called for the development of in-house CSR expertise.

The combination of these factors would alter the configuration of calculative capacities on the RI market, more and more AM combining data from several information providers and building their own process of data gathering and analysis to overcome the ‘gaps’ resulting from the comparative analysis of information provider’s information on corporations. Hence, from 2003 to 2005, one can observe a diversification of the use of multiple data providers among French AM. In 2004, 39% of the 49 AM used 2 extra-financial information providers or more, whereas this figure was of 29% in 2003 (see Table III).

### ***Infomediaries: Building Calculative Devices to Equip Consumers***

The market development on the supply side, with an increased number of AM delivering more and more diverse RI products created another source of uncertainty related to the actual

social and environmental qualities of these products: How to differentiate two RI products, from a final individual investor viewpoint? This question has been addressed by Novethic, the French infomediary created to account for the development of the RI market as early as in 2002. During this year, Novethic launched a qualitative assessment tool 'Rating Novethic', aiming at uncovering the extra-financial quality of RI products.

The judgment device that took shape in 2001 was in the first year only available on line on a very basic form called 'the added ethical value'. A partnership with Morningstar was agreed to create a link on financial performance ratings. From 2002, a quarterly report called RI Rating was also sold to institutional investors and RI fund providers in partnership with a financial adviser that provided financial performance data. The judgment device was also used to build other devices for consumers on the retail market, such as *Le guide des placements responsables* published every two years by *Alternatives Economiques*. The rating system was hence sophisticated. RI products were and are still assessed on the following scale: aaa, aa, a, bbb, bb, b. The naming of the scale was directly inspired by the naming of a rating system developed by a credit rating agency which was supposed to create a sense of déjà-vu and trigger confidence. The judgment device focused on improving the level of knowledge and disclosure on SRI practices. On each SRI product, source of extra-financial information, level of extra-financial requirement in the investment process, level of control, reporting and marketing effort on the extra-financial dimension, level of activity as SRI share owner (voting right, dialogue with companies) and level of general commitment on SRI (SRI assets, SRI HR, intellectual commitment) were assessed according to a weighting system. Information data was obtained primarily through a questionnaire and completed by meetings, phone calls and emails. Novethic took the stance to not judge the extra-financial quality of the stock including in each portfolio because it was decided that such an exercise was beyond its competencies and was more in the field of extra-financial information providers such as

Vigeo. It took hours to convince AM that the Novethic judgment device was proposing a fair description of what a SRI fund ought to be and therefore proposed a fair judgment on the quality of their SRI products.

AM embraced the judgment device created by Novethic because they felt that their viewpoints mattered in its construction. It was eventually a way for them to understand what competition was doing in this new unregulated field. It was also the only tool available in France that could bring them legitimacy they urgently needed at this stage on what they were trying to achieve. The fact that Novethic was a subsidiary of Caisse des Depots, a public investment group with a high level of legitimacy and reputational advantage for the majority of these asset management groups also played a role in the legitimization of the judgment device proposed. In addition, Novethic made great effort to diffuse information on the judgment device into the media by sending information to journalists and raising their interests. Some asset managers started to use the judgment device in their advertisement or their marketing brochure or to ask spontaneously to be judged.

Other initiative from infomediaries other the period includes in November 2004 the launch of the Eurosif Transparency Code. Subsidised by the European commission, the goal of this code was to improve the transparency of the RI market for individual investors. The initiative involved data-gathering from AM and then a publication of their answers on a website. The questions aimed at identifying the list of the stocks in AM portfolios. However, the legitimacy of this initiative has been undermined by the lack of verification of the information provided by AM.

### ***Redistributing and Developing Calculative Capacities***

Overall the 2002-2005 period was characterized by a redistribution and development of calculative capacities laterally and vertically. Laterally the competition among information

providers started spreading and decentralizing the expertise for CSR calculation that was formerly concentrated in the hands of Arese/Vigeo.

Vertically, the changes of the French RI markets created by the legislator and labour unions pushed AM to reconsider their approach to RI and to internalize calculative capacities on CSR, the multiplication of ratings agencies and RI products created new sources of uncertainty for both AM and individual investors which call for the creation of new calculative devices. Hence, infomediary such as Novethic developed rating tool targeting final individual investors to enhance the market transparency by stressing differences among products.

### **Period 3 – Market Mainstreaming and Calculative Capacities Diffusion (2005-2008)**

#### ***The Rise of the Institutional Clients***

During the 2005-2008 period, institutional asset owners entered the SRI market. Asset managers and information providers therefore had to adapt and to react to the construction of a strong institutional demand in France for RI. The opening of this new institutional market both created a lot of excitement and triggered uncertainty among asset managers and information providers eager to be appointed by these institutional asset owners.

For information providers, uncertainty was also brought by internal competition and by the willingness from 2005 of some assets managers to rely on their traditional information providers, the brokerage houses, to access ESG analysis. On their side, infomediaries such as Novethic updated their quantitative calculative devices to register the birth of French institutional RI demand. On the qualitative judgment side, these infomediaries entered also in a zone of uncertainty with the entry of the traditional category of asset owner service providers, the investment consultant sector.

#### ***When Clients Rule: FRR and ERAPF in the Front Seat***

Until 2005, the growth and design of the French RI market was mainly led by the supply side, asset managers and information providers. The supply side had a lot of expectation on the arrival of a strong French institutional demand for RI funds. From 2005, the FRR and the ERAFP started to fulfil these expectations but in doing so gave a new configuration to the French RI market. ERAFP, acronym which stands for *L'Etablissement de la retraite additionnelle de la fonction publique* is a public pension fund created in 2004 to manage public servant retirement savings. In 2006, ERAFP made public its decision to manage the funds with responsible investment principles.

In 2005, FRR launched its much awaited call for tender to select asset managers to manage an SRI equities portfolio of 600 millions Euros. In order to assess the quality of the SRI asset managers that would be answering the call, a previous call for tender had been issued for an investment consulting team to assist the FRR to select SRI asset managers. Mercer Consulting, a major international investment consulting team with a Paris office was chosen. Asset owners had on the advice of investment consultants historically selected asset managers on criteria purely based on the asset managers' financial performance. Investment consultants had heavily relied on databases that enabled them to compare different asset managers on financial performance. In this instance FRR decided to rely on an investment consulting provider that would assess both for the financial and extra-financial quality of SRI asset managers.

After the decision of the administrative board to become a responsible investor not only on certain asset class such as FRR but on the totality of its investment portfolios, ERAFP launched in March 2006 its SRI charter. ERAFP chose Altedia, a French investment consultant to manage the call for tender and selection process for its equity portfolios. Similarly for a majority of French institutional organisations, the majority of the assets controlled by ERAFP were fixed income assets. Until 2005, the RI French market was

dominated by SRI funds invested on equities. Moreover information providers developed their judgement calculative devices on large public corporations traded on listed equities market. CSR information gathering on entities issuing bonds such as para-statal corporations, governments and municipalities were not considered as a priority.

Advised by Novethic and Altedia, ERAFP entered in a period of internal research around the CRS rating of bond issuers. ERAFP issued a call for tender to select an information provider to design an in house CSR rating system on bond issuers. Eventually ERAFP chose to work with Vigeo and Oekom, a German agency. Oekom had the longest experience for working on the CSR rating of bond issuers compared to other information providers present on the European CSR information market. The interest of ERAFP among other institutional investors for the fixed income asset class led to the systematic creation of fixed income products by RI asset managers and by the dedication of human and financial resources by information providers to propose robust CSR methodologies on bond issuers to asset managers and asset owners. From 2007, FRR and ERAFP took the decision to create small internal RI team mainly in charge to monitor the work and results achieved by their RI services providers including information providers and asset managers. In doing so, they added to the RI market a new layer of judgment devices by bringing notably the investment consultant industry in the field.

***Principles for Responsible Investment: the creation of holistic international judgment device on RI asset owners, asset managers and service providers***

During the year 2005, a group of the biggest pension funds in the world met to draft the text of the Principles for Responsible Investment. French asset owners such as FRR and Caisse des Depots were actively involved in the discussions. One of the important internal debates was to decide if the principles should be signed only by asset owners or if the signature of the principles would be open to asset managers and services providers. The

second option was finally adopted despite some asset owners' concerns of an excessive inclusion could weaken the principles architecture. Ultimately, PRI was launched in April 2006 by Kofi Annan at the New-York Stock Exchange.

An important outcome of the initiative was the decision of the PRI organisation to create an in house qualitative judgement device that would enable the monitoring signatories' progress in the actual implementation of the principles. The PRI board hired Mercer Consulting to monitor signatories. A public report was released every year from 2006 to illustrate the progress of each category of signatories. It is interesting to note that the PRI organisation in partnership with an investment consulting firm concentrated its effort from the beginning to build an international data base on responsible investment practices worldwide. This effort would reinforce the legitimacy of the PRI initiative by demonstrating the ability of the organisation to check the RI action of its members.

### ***Transition Time for Calculative Agencies***

For Asset Managers, the entry of institutional asset owners meant pragmatically that their RI ability was scrutinized and judged publicly by potential powerful clients. French RI asset managers realized notably that European competition was fierce and that some European Asset Managers were considerably advanced. They then attempted to strengthen and to professionalize further their RI capacities. In this professionalization quest, some asset managers took the decision that it was time to give a strong signal to sell side analysts department of the brokerage houses to invest human and financial resources on extra-financial information. The *Enhanced Analytic Initiative* (EAI) was launched in 2005 by asset managers to stimulate extra-financial research from sell side analysts they traditionally used for providing financial information and analysis. Signatories of the initiative committed themselves to spending 5% of their trading fees on brokerage companies that will be judged by an independent advisory board according to the quality of the RI research they produced.

The goal was to give a clear incentive to brokerage companies to explore the link between extra-financial information and financial performance. At the time the conviction of investors was that brokerage companies, with bigger financial means and recognized financial expertise, were best positioned to succeed than emerging extra-financial information providers on the quantification of extra-financial impacts on future economic growth and to achieve diffusion into mainstream finance. Nonetheless, until 2007, brokerage companies which developed and maintain small extra-financial research team (1 to 3 people) were not in direct competition with extra-financial information providers. They were actually often using data obtained from extra information providers (SG Research, 2005) and were releasing sector and theme studies that attempted to capture a link between extra-financial issues and future economic growth.

On the information provider side, the competition was strong and renewed by the perspective of becoming a service provider for ERAFP, FRR or any of the rising group of French RI institutional investors. At the same time, information providers had to deal with the growing willingness of the asset managers to build their in-house analyst teams and therefore looking for information providers able to provide raw ESG data on an always more extended scope of companies and organizations. During the period, Vigeo, the French provider did not hide its ambition to become the European market leader. In June 2005, Vigeo bought Ethibel and would continue its expansion in Italy and Spain in the following years. Innovest bought Core Rating previously lead by Genevieve Féronne who left for good the French RI field.

### ***A Growing Market to Measure: Adapting Calculative Devices***

The creation of a growing institutional demand on the French RI market was at first an opportunity for infomediaries such as Novethic and Eurosif to adapt their calculative device agencies not only to measure the size and the trends on the supply side but also on the institutional demand side. Regarding the judgement devices implemented by Novethic on the

quality of SRI products, the entry of investment consulting organizations triggered at first some fear that Novethic work would be made irrelevant. It was nevertheless not the case due to the strong difference in the structure of information diffusion. Investment consulting organisations sold their judgement services to asset owners and were rarely releasing to the public space the result of their judgment device. The judgement device created by Novethic even though it was also sold to asset managers and asset owners in its more sophisticated form kept from the beginning the vocation to be a free judgement tool available for individuals investors. That is why SRI funds ratings are still released on line and open to public consultation. Moreover a structure like Novethic never attempted to become a financial adviser. By contrast, Novethic chose to partner with investment consulting firms such as Amadeis and Altedia or financial information provider such as Morningstar on a large range of its projects. It is interesting to note that not only the Novethic judgment device did not disappear with the entry of the investment consulting firm but actually increased its legitimacy demonstrated by the transformation of its rating system into a label system in 2009 more easy to use for individual investors.

### ***Redistributing Calculative Capacities***

The 2005-2008 period was characterised by a renewed growth of calculative capacities both laterally but mainly vertically. Laterally asset owners such as ERAFP stimulate the competition among services providers by requiring CSR calculations on the fixed income asset class. Vertically, asset managers boosted by the perspective of winning important institutional clients persevered in the creation of more and more important in house analyst teams (see Table III). Meanwhile they incentivised sell side analyst department of brokerage house to invest resources in the creation of CSR calculation devices.

On their side, asset owners also started to create some limited CSR calculation internal capacities but also worked on the creation of internal calculation capacities to judge RI

information providers and asset managers. They delegated partly these judgment activities to their investment consulting firm. From this period investment consulting firm such as Mercer consulting and Altedia developed rating tool to help asset owners to select RI information providers and asset managers. Meanwhile infomediaries such as Novethic sophisticated and broadened their rating tool on RI asset managers and SRI funds to SRI bonds funds.

**DISCUSSION**

Our findings confirm the crucial role of numerous calculative agencies in the process of market construction and development. Each type of agency provided a provisional answer to the problem of ‘social responsibility’ measurement at one given point of time, enabling actors to provide other types of calculation and to take actions related to this market.

Table IV provides an overview of the key changes in the process of calculability construction by showing the successive emergence of key actors and specifying the questions they help solving at the time. In addition, our findings uncover the multiple processes whereby calculative agencies sustain and shape market through their specific interactions and relationships. Finally, they highlight how market logics and development reshape calculability and calculative capacities in displacing or recreating uncertainties.

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**Calculative Agencies Influence on RI Market Development**

*Addressing Crucial Uncertainties*

Arguably, calculative agencies such as IP have played a key role in providing a provisory answer to the question of ‘social responsibility’ calculability in the first stage of market development. The ‘delegation’ model of AM and the central position of Arese and

then Vigeo for several years clearly illustrate the functional role of these agencies data in the take-off of the AM market.

Many calculative agencies emerged from the need to address crucial uncertainties in the marketplace, such as uncertainties related to the actual level of market development and the definition of the market (emergence of infomediary such as Novethic in the first period), uncertainties for final investor concerning the social quality of RI products (emergence of dedicated calculative devices targeting these actors in the second and third periods), uncertainties concerning the ‘social quality’ of AM (emergence of consultancies to help asset owners in the last period). Calculative agencies emerged as new organizational forms or as intra-organisational set of actors relying on new data set to process this information. They perform first or second order of measurement allowing other actors to develop their own ‘CSR’ calculative capacities and thus to take actions.

### ***Equipping a Variety of Actors***

Our findings suggest the emerging calculative agencies equip a broad range of actors. IP equip AM allowing them to build and package RI products, IF would equip final investors Consultants would equip Asst owners. The emergence of these calculative capacities could be regarded as a need to alter the balance of calculative capacities on both sides of the market depending on the stage of market development. In the early stage suppliers’ equipment is crucial to the making of RI product. Once various regulations have reshaped the landscape and the market took over, this is on the demand side that actors call for renewed calculative capacities.

### ***Complementarities and competition***

Our data suggests the emergence of complementarities and competitive relationships among the various calculative agencies as well as a possible switch from one type of relationship to another over time. During the first period, AM and IP clearly complements

each other as the ‘responsible’ calculative capacities of AM were maintained through the provision of extra-financial information by IP. Yet, the market changes turn this relationship into a competitive one once AM have to demonstrate their own value added in the subsequent stage of market development. A similar change tends to emerge over the third period with the vertical diffusion of calculative capacities vertically when asset owners came in.

## **RI Market Development Influence on Calculative Capacities**

### ***Reproducing Uncertainties***

Our analysis suggests market developments contribute to displace uncertainty and/or to produce new forms of uncertainties (Karpik 1996). For instance, the emergence of a market for CSR measurement with competing IPs generates an uncertainty about the quality of their analyses and work. These actors would need to differentiate themselves but any discrepancy between their ratings for the same company could undermine their collective legitimacy in the eyes of AM. Yet, these new uncertainties create an opportunity for AM to develop their in-house expertise. This will lead to a diversification of RI products by those actors that would generate uncertainties for actors having to select among them, calling for new agencies such as IF to fill that voids with a new calculative device.

More specifically, our findings shows that these reshaping of calculative capacities are not only produced by market endogenous development and growth, but also by the entrance of new actors with different expectations concerning RI calculability and the strategic mobilization of calculative agencies to shape the power balance on the market.

### ***Attracting New Actors***

The French case of RI suggests new actors with alternative logics and approaches to RI can contribute to reshape drastically the calculability problem on a problem. During the second stage of RI market development, labor unions relocate the problem of calculability in the hands of AM, generating a redistribution of calculative capacities and power vertically. A

similar phenomenon happens during the third stage when actors such as AO, with different professional norms and habits came into the market with different expectations.

### ***Mobilizing Calculability Strategically***

Finally, our findings suggest that new entrants or outsiders can mobilize strategically the problem of calculability either to leverage their own position on the market or to change the landscape. The creation of a label by French labour unions is the most striking instance of this strategy.

## **CONCLUSION**

This paper investigates the role of calculative agencies in the process of construction, consolidation, and mainstreaming of a market for responsible investment. Calculative agencies are crucial for assessing corporate stock's social responsibility and thus creating RI products. Our findings confirm prior insights suggesting that calculability sustain the process of market development by addressing crucial uncertainties. Yet, they refine our knowledge by showing how these calculative agencies interact and compete to do so, spreading and distributing vertically and laterally calculative capacities among actors, and how the market development itself generates intrinsic forms of uncertainties calling for new calculative agencies. Finally, our findings suggest market development attracts the attention of outsiders' political actors that may use the calculative agencies for reshaping the market dynamics.

**TABLE I. Data-Collection Methods for Calculative Agencies**

<b>Calculative agencies</b>	<b>Definition</b>	<b>Data Collection Method / Data sources</b>
Extra-financial Information Provider (IP)	Informational organisation selling or providing to asset managers and assets owners, calculation and judgment devices on the CSR of entities they could invest in	<ul style="list-style-type: none"> <li>▪ In-depth Interviews with actors from various IP</li> <li>▪ Secondary data collection (newspaper articles, website information)</li> <li>▪ Ethnography and field observation</li> </ul>
RI Asset Managers (AM)	Asset managers that seek to obtain relevant information from external or internal calculative and judgment device about the CSR of the entities in which they wish to invest on behalf of their clients	<ul style="list-style-type: none"> <li>▪ Qualitative questionnaire</li> <li>▪ Quantitative questionnaire</li> <li>▪ Interviews</li> <li>▪ Secondary data/Media watch</li> <li>▪ Ethnography</li> </ul>
RI Asset Owners (AO)	<p>Institutional asset owners seeking to obtain relevant information from external or internal calculative and judgment devices about the CSR of the entities in which they wish to invest on behalf of their clients</p> <p>Institutional asset owners seeking to obtain relevant information from external or internal advisory on the RI expertise of asset managers</p>	<ul style="list-style-type: none"> <li>▪ Questionnaires (covering quantitative and qualitative aspects of AO works)</li> <li>▪ Secondary data (newspaper reports and websites information)</li> <li>▪ Ethnography</li> </ul>
Infomediaries (I)	Informational organisations selling or providing calculation and judgment devices on the RI market and its players	<ul style="list-style-type: none"> <li>▪ Ethnography (participant observation within one of the organization)</li> <li>▪ Secondary data (newspaper reports and websites information)</li> </ul>



**TABLE II. Chronology of Key Events**

	<b>SRI AM</b>	<b>CSR Rating agencies movement</b>	<b>Asset owners Pension Funds</b>	<b>Informediaires</b>
1997-1998	<b>7</b>	-Launch of Arese		
1999	<b>9</b>	-ARESE designs the first CSR rating on French listed companies		-Launch of a on line European SRI Mutual Funds database and a quantitative report on the size of the market by Italian Avanzi SRI research
2000	<b>14</b>	-ARESE CSR ratings are used by French AM distributing SRI Funds		-Creation of Eurosif, non lucrative organisation subsidized by EU to promote SRI
2001	<b>26</b>	- NRE Law		- Creation of FIR -Creation of ORSE - Sept: Creation of Novethic, subsidiary of Caisse des Dépôts
2002	<b>35</b>	-Creation of Vigeo by Nicole Notat ex secretary of CFDT major French trade union movement -Creation of Core Ratings	- January: Creation of the CIES - February: Fabius Law on Employee saving schemes integrating the necessity of disclosure on ESG matters -July: Raffarin law creates the buffer funds FRR	-Launch by Novethic of a SRI rating (judgment device) targeting SRI equity products distributed in France
2003	<b>48</b>	-Innovest enters the French SRI investors market	- July: FRR call for tender on active equities portfolios with SRI requirements	-Launch of the SRI Mutual Funds barometer by Novethic (calculative device) -Eurosif survey on the size of the EU SRI market. Novethic calculates the French SRI market.
2004	<b>49</b>	-UNEP-FI Asset Management working group launches the report: “The materiality of ESG issues to equity pricing”	-Creation of the ERAFP, first public servant French pension funds -July : UNEP-FI launches the AO working group in charge of drafting PRI	-Launch of the Transparency Code for Mutual Funds by Eurosif
2005	<b>44</b>	Vigeo buys Belgian group Ethibel and becomes Vigeo Group -Group Vigeo Planet Finance Project - Launch of Enhanced Analytic Initiative -Innovest buys Core Ratings	-Meetings of the PRI working groups -FRR call for tender for SRI Managers -FRR call for tender to select SRI investment advisors -ERAFP administration board vote that ERAFP will become a RI investor	-Launch of the First annual Novethic survey on the size of the institutional dedicated SRI market -Second edition of the Eurosif survey including the institutional market
2006	<b>45</b>	- Group Vigeo buys Avanzi SRI Research and becomes Vigeo SAS	- March: ERAPF launch its SRI charter -April : Launch of the PRI in New-York. Caisse des Dépôts, FRR and ERAFP becomes signatory -ERAFP select the investment consultant Altedia to select SRI AM on equity portfolios -ERAPF selects Oekom and Vigeo Group to work on bonds portfolios.	-Broadening of the Novethic SRI rating to fixed income products
2007	<b>49</b>	-Oekom German group specialized in fixed income rating enters on the French Market	-First PRI Reporting conducted by the Investment consultancy Mercer Consulting on the behalf of PRI to monitor the progress of PRI signatories	-Broadening of the Novethic SRI Ratings to SRI Green Funds

**TABLE III. Key Changes on the French RI Market 2003-2008**

MARKET	Period 2 - CONSOLIDATION			Period 3 MAINSTREAMING	
	At December 2003	At December 2004	At December 2005	At December 2006	At December 2007
Number of SRI AM	48	49	44	45	48
5 AM Leaders on SRI Market (AUM in billions Euros)	-BNP Paribas AM (0,9) -Dexia AM (/0,8) -UBS (0,4) -IDEAM (0,4) -CDC Ixis AM ( 0,3)	- Dexia AM (1b) -BNP PAM (0,9) -Macif Gestion (0,6) -IDEAM (0,4) -CDC Ixis AM (0,2)	-Dexia AM (3b) -AGF AM (1,5b) -BNP PAM (1,2b) -IDEAM (0,5) -Macif Gestion (0,5)	-Dexia AM (2,5) -Natexis AM (2) - AGF AM (1,3b) -BNP PAM (1,2b) -IDEAM (0,8)	- Natixis AM (3,2) - Dexia AM (2,5) - Robeco (2,4) - Allianz Group ex AGF AM (2,2b) -BNP PAM (1,5)
SRI Asset under Management leaders	-BNP Paribas launched its first SRI funds BNP Etheis in 2002. The choice to capitalize their lead SRI funds BNP Etheis notably through the creation of a SRI retirement funds supply transform BNP Paribas as the biggest SRI players in terms of assets	-Macif Gestion takes the third place due to the creation of a SRI funds fixed income supply heavily capitalized -Dexia AM and BNP Paribas AM disputes each other the first position	-Dexia AM takes a comfortable first position due to a the launch of a restructured SRI funds supply -AGF AM takes the second seat due to the strong capitalization of its equity SRI funds -CDC Ixis AM, SRI pioneer get out the top 5	-Natexis AM enters directly at the second position due to the launch of a range of fixed income SRI products -Stabilization of the 4 others big SRI players	- With the finalization of the merge with CDC Ixis, Natixis AM become the SRI French leader -By buying SAM, the Swiss SRI leader, Robeco takes the second seat in the French SRI Market. SAM products are characterized by their Green themes orientation.
Entry	- French mutualist organisations: Pro BTP Finance, Interexpansion - ABN AMRO, DWS Investment SA - Entry of the English AM Henderson GL and Jupiter,	-French mutualist organisation: Fédéris Finance Gestion -JP Morgan Fleming and Orsay Gestion distributing funds tracking SRI Index	-State Street France enters the SRI market with 2 SRI funds -Ofivalmo Gestion distributes foreign SRI funds from Westam AM	-LODH, Swiss AM launch an open SRI funds -Financière de Champlain , small French player launch its SRI Funds	-Alycône Finance - Petercam -Carrefour distribute its SRI funds of funds range managed by SGAM/AXA -CNP Assurance and Fongepar Finance
Exit		-Swiss L AM stops to distribute its funds in France	-Robeco Gestion, Jupiter and Henderson GL choose to stop to distribute their SRI funds in France -Small players Rothschild Gestion, AA Advisors, terminate their SRI funds.	-Withdrawal of Storebrand from the French Market - French CIC terminates its SRI funds	
Merging	-Merge of ABF Capital Management and Crédit Lyonnais Asset Management into IDEAM dedicated to SRI. -Expertise AM is merged into Sarasin	-Apogee Gestion a small SRI pioneer organisation is absorbed by HSBC AM. -Merge of Crédit Lyonnais AM (CLAM) into credit Agricole AM (CAAM). IDEAM remains the SRI AM	-April 2005: due to the merge CLAM/CAAM, change of name of the SRI supply provided by IDEAM	-Merging of Natexis AM and CDC Ixis AM to give birth to Natixis AM/ merging of the SRI range finalized in July 2007	-Robeco becomes the majority shareholder of the Swiss AM SAM which leads to the distribution of SAM products on the French market

**TABLE III. Key Changes on the French RI Market 2003-2008 (continued)**

MARKET	Period 2 - CONSOLIDATION			Period 3 MAINSTREAMING	
	At December 2003	At December 2004	At December 2005	At December 2006	At December 2007
CSR leaders on SRI market (clients base)	Vigeo: 46% Innovest: 5% Eiris : 9%	Vigeo: 47% Innovest: 10% Eiris: 13%	Vigeo: 59% Innovest: 18% Eiris: 11%	Vigeo: 62% Innovest: 24% Eiris: 9%	Vigeo: 58% Innovest :27% Eiris: 6%
CSR leadership change Exit/entry	-Strong leadership position of Vigeo due to the inheritance of the clients of the historic local French CSR provider Arese -Entry of Core Ratings lead by the ex-director of ARESE -Entry of foreign providers such as Eiris due to the distribution of foreign funds on the French SRI market	-Innovest registers a steady growth on the French SRI Market (Macif Gestion) -Core Ratings widens its clients base in France ( IDEAM, Natexis AM) but Core Ratings London is sold by Fimalac to Det Norske Veritas -Eiris remains stable (Foreign clients)	<b>-2005 Year of consolidation</b> -December 2005: creation of the Vigeo Group result of the fusion between Vigeo and Ethibel. Vigeo Group dominates the French CSR market. -Third quarter 2005, Innovest buy Core Ratings. -Eiris lost its grasp on the French due to the withdrawal of Henderson GL.	- Second semester: Vigeo Group buys Avanzi SRI research, the local Italian CSR provider -Innovest strengthens its position of second CSR market leader -Entry of 2 players: Trucost specialized on carbon ratings and EthiFinance with a narrow clients base	-Vigeo SAS and Innovest are the two SRI leaders of the French Market -Eiris loses its advantage to the German Oekom specialized in fixed income rating
Number of CSR providers used by AM	0: 10% 1: 46% 2 : 19% 3 and more: 10% Not known: 15%	0: 8% 1: 47% 2: <b>23%</b> 3 and more: <b>16%</b> Not known: 6%	0: 5% 1: 48% 2: 18% 3 and more: <b>20%</b> Not known: 9%	0: 2% 1: 42% 2: <b>25%</b> 3 and more: 22% Not known: 9%	0: 2% 1: 33% 2: 25% 3 and more: <b>27%</b> Not known: 13%
CSR leadership change Exit/entry	-A majority of AM use the service of the local CSR providers active in their country of origin -Dexia AM start to use different CSR providers for specific products and BNP Paribas AM among others start to use several providers for the same SRI supply	-Strengthening of the diversification trends : 39% of the AM used more than 2 CSR providers against 29% end 2003 -Natexis AM, IDEAM, Macif Gestion follow trends set by Dexia AM and BNP PAM	-An increasing strengthening of the diversification trends: 20% of AM distributing SRI funds in France use 3 or more CSR providers against 16% in 2005	-Less and less AM do not use CSR providers -Less and less AM use only 1 SRI provider -Trend consolidation: using the services of at least 2 CSR providers by the in house team	-27% of the AM use 3 and more CSR providers against 10% in 2003
Size of SRI buy side analysts teams	No team: 40% 1: 17% 2 : 21% 3 and more: 10% Not known: 12%	No team: 35% 1: <b>23%</b> 2 : 22% 3 and more: 14% Not known: 6%	No team: 32% 1: <b>25%</b> 2 : 23% 3 and more: 13% Not known: 7%	No team: 36% 1: 18% 2 : <b>36%</b> 3 and more: 13% Not known: 4%	No team: 33% 1: 19% 2 : 21% 3 and more: <b>19%</b> Not known: 4%
In house CSR analysis trends	-Until 2002 in France, externalization of CSR analysis -CIES actions boosts French AM to hire at least 1 SRI buy side analysts	-As in 2003 and to fulfill CIES requirements, French AM creates or strengthen their SRI analyst team: Natexis AM, Groupama AM, Fortis IM, BNP PAM	-Dexia AM announces and recruits a team of 7 internal CSR analysts	- Strong Increase of in house teams with 2 analysts: HSBC AM, AGF AM	-Strong increase of in house team with more than 3 analysts: Robeco (17), Fortis (6), HSBC AM (6)

**Table IV. Summary of the Three Key Periods**

Period	1997-2002	2002-2005	2005-2008
Stage of market development	Market take-off 'Arese years'	Market consolidation and legalization	Market maintenance and mainstreaming
State of calculability on the market	Calculability construction and centralization	Calculability contests and redistribution (a)	Calculability re-organization and diffusion to new actors
Problematization of calculability issues by the various calculative agencies	<ul style="list-style-type: none"> <li>▪ How to qualify the corporate social responsibility of stocks? How to assess Corporate Social Responsibility in the French context? (IP/AM)</li> <li>▪ How to build SRI financial services and products? How to integrate extra-financial information in the investment process? (AM)</li> </ul>	<ul style="list-style-type: none"> <li>▪ How to differentiate social responsibility calculability? (IP)</li> <li>▪ How to aggregate various calculative devices? (AM)</li> <li>▪ How to represent the market and raise public awareness around its existence? (I)</li> <li>▪ How to build trust from the demand side around the SRI market (IF)</li> </ul>	<ul style="list-style-type: none"> <li>▪ How to demonstrate its expertise to capture new mandates for public services institutions? (AM)</li> <li>▪ How to improve the CSR calculative devices?</li> <li>▪ How to maintain its position in the SRI value chain? (IP)</li> <li>▪ How to choose SRI Funds and SRI AM</li> <li>▪ How to choose SRI advisors that will helps to chose SRI funds and SRI AM? (A0)</li> </ul>
Construction of calculative capabilities and capacities (Solution)	Calculative capacities centralized by a local dominant social rating agency which enable Asset Managers to build and launch SRI products by adopting its calculation tool	Creation of a market for social rating and competition for providing social ratings Redefinition of the boundaries Emergence of new calculative agencies equipping the demand side	Modification of the distribution of calculative capacity and of the value chain structure around calculability: AO take the power
New <b>category</b> of actors entering the market	<ul style="list-style-type: none"> <li>▪ RA/EFIP as a new organizational form stabilized over the period</li> <li>▪ AM supplying SRI funds</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competing EFIP/social rating agencies</li> <li>▪ Emergence of labour unions (labelling agency) (AO), FRR</li> <li>▪ Emergence of consolidating agencies infomediaries (Eurosif, Novethic)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Traditional Financial calculators working for AM: Brokers (SG Securities)</li> <li>▪ AO: ERAPF and PRI movement</li> <li>▪ Traditional financial advisors of A0: Investment Consultants (Altedia, Mercer Consulting)</li> </ul>
Dominant calculative agencies / organizations	<ul style="list-style-type: none"> <li>▪ CSR calculative device centralized in one local IP: ARESE</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Multiplication of IP: multiplication of CSR calculative devices</li> <li>▪ Internalization of calculative capacity inside AM due to the labour unions requirement: multiplication of AM CSR calculative devices</li> <li>▪ Launch of Calculation and judgment devices on SRI market by Informediaires</li> </ul>	<ul style="list-style-type: none"> <li>▪ AO CSR calculative devices on new asset class</li> <li>▪ AO SRI Market judgement devices on SRI Market</li> <li>▪ AM CSR calculative devices/ willingness of AM to stimulate traditional financial information producer to produce EF calculation devices</li> <li>▪</li> </ul>

## **REFERENCES AVAILABLE UPON REQUEST**

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<sup>i</sup> Extra-financial is preferred to SRI or ESG because some of these organisations do not cover all the three ESG aspects.