

# 173 SHADES OF REPORTING

Analysis on climate-related risk disclosure and ESG integration

from the 100 largest French institutional investors

**Paris, 28 November, 2017.** The Novethic’s study **173 shades of reporting** analyses responses from 100 leading French institutional investors on the Energy Transition Law and its now famous Article 173, which was published in 2015. France’s ground-breaking climate risk reporting law introduced for these financial players - insurance, pension, retirement and social protection companies – the first-ever mandatory climate and ESG disclosures, and leaves them broad flexibility in choosing the best way to fulfil the requirements.



## ► 4 PARTICIPANT CATEGORIES ◀



► **Engaged Players:** They total 1813 billion euros in assets, and have set up ambitious climate strategies combining divestment, carbon footprint measurements and data collection on climate risks. Although the players in this group have historically implemented ESG integration processes, they do not all follow the same pace.

► **Established Forerunners: 20 institutions.** Article 173 led French forerunners in responsible investment to focus on climate-related issues. Having made their mark due to past strategic choices, they have taken this opportunity to publicly present their efforts and provide positive feedback.

► **New Entrants: 34 institutions.** This group which communicates for the first time on their Environmental, Social and Governance (ESG) policies, demonstrates Article 173’s driving force. However, their actions are largely delegated, which limits their policies’ strategic adoption. Some actors in this group justify their limited commitment with doubts concerning available methodologies but they are not necessarily working to improve them either.

► **Absentees: 31 institutions** have remained silent on their engagements.

## ► PROGRESS AREAS FOR FUTURE REPORTS ◀

### ► FOR INSTITUTIONAL INVESTORS

#### ► Objectives to be clarified

Investors in the panel have already allocated more than **15 billion euros** to the green economy, an encouraging level of investment even if the financial need is much higher. In order to feel the concrete effect of the transition towards a low-carbon economy, they need to better define their climate-related goals. Strategies for achieving them must be accompanied by clear, precise and measurable indicators.

#### ► Constructing methodology requires greater involvement by investors

Advancing impact metrics across portfolios, and compelling issuers – and companies - to deliver quality data, cannot be done without investor-expert cooperation. Only coordinated work efforts allow for the opportunity to manage investments according to vigorous, long-term social and environmental scenarios.

### ► FOR REGULATORS

#### ► Clarify and revive the momentum

Even if the immediate impact of Article 173 is clear, maintaining momentum on the stock market requires further action. The application criteria should be clarified immediately, and a methodological framework should be defined and accompanied by benchmark indicators. These indicators are essential in measuring progress and comparing different strategies.

#### ► Send a stronger political message

The role of institutional investors is key in effectively financing the transition to an inclusive, low-carbon economy. But their low percentage of green investments demonstrates that investors must be given clearer messages on the opportunities available to them.

## ► [DOWNLOAD THE FULL STUDY](#) ◀

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