

Press release

ESG-Climate Issues: The French Sustainable Investment Forum (FIR) publishes a booklet on integration in asset allocation to identify the issues at stake in the development of this new practice

Paris, October 15, 2020

The FIR focused on the "new frontier" of integrating ESG into asset allocation, a subject that has been little discussed and documented to date. To this end, the FIR has launched a working group co-piloted by **Helena Charrier**, Deputy Group Sustainability at the Caisse des Dépôts and **Jean-Philippe Desmartin**, Director of Responsible Investment at Edmond de Rothschild Asset Management. The booklet resulting from this work aims to explore the motivations, methodological issues and academic challenges related to ESG-climate integration.

[Download the booklet](#)

This work was born out of an observation: asset allocation is considered by consensus to be the primary factor of long-term performance, in the same way as risk management and, for all that, the link between asset allocation and responsible investment practices remains little evaluated, both by practitioners in the sector and by academic research in finance.

Taking climate issues into account in allocation processes is essential to achieve the objective defined in 2015 by the Paris Agreement to "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". The integration of social issues is equally essential to finance a resilient and inclusive economy. In addition to the objective of performance through increased risk control, taking ESG factors into account in an allocation process also has an impact dimension. These two issues explain the emergence of interest from many investors and stakeholders.

77 French players surveyed, including 38 asset managers and 27 institutional investors:

- 70% of them expressed a positive opinion on the preponderance of ESG criteria in their business
- Risk analysis and the reputational dimension are their main drivers
- One third of asset management companies favor proprietary data
- Equities and credit rates Euros are the asset classes identified as having the highest priority
- Main obstacle identified is the lack of data

FIR members, institutional investors and asset managers have sought to gain an overview of how ESG can be integrated into an allocation process, as well as the operational challenges of identifying and using data, starting with climate data.

For **Helena Charrier**, "*The accessibility and quality of ESG data is an operational issue common to asset allocation and portfolio management processes. A first step is to identify, evaluate and articulate the many sources of information available*".

The work was based on an inventory of field practices with the support of various associations: the French Asset Manager Association Management (AFG), the French Association of Institutional Investors (AF2I), the French Insurance Federation (FFA) and of course the French Sustainable Investment Forum (FIR). In addition to the inventory, the booklet includes case studies and a mapping of the climate data available (a more complete digital version of which is available on the French SIF website. Finally, the booklet includes a series of concrete research avenues intended for the academic community.

15 questions addressed to academic research:

- In terms of modeling on the production and communication of data, on the exploitation of these data but also on interest rates, carbon price, scenarios, classification of activities
- For ALM models on the diffusion of returns, modeling of sectors with moderate or indirect exposure or in real asset classes
- In terms of strategy and regulation, here again, on carbon price, the integration of taxonomy in the calculation of capital requirements or on the governance of the development of standards...

For **Jean-Philippe Desmartin**, *"It is crucial to support the efforts of academic research to ensure that sustainable finance progresses. This can take the form of dialogue between researchers and practitioners, funding for Academic chairs or support for prizes. This is a vital issue in the era of COVID-19 and climate change"*.

The FIR booklet can be downloaded from the [FIR website](#) in French and English.

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The FIR (French SIF) is a multi-stakeholder association whose mission is to promote Responsible Investment and its best practices. The FIR brings together investors, management companies, extra-financial rating agencies, consultants, NGOs, trade unions as well as academics, lawyers, journalists... The FIR organizes the Responsible Finance Week, the European Academic Research Award in Finance and Sustainable Development with the Principles for Responsible Investment (PRI), the Award for the best due diligence plan, in partnership with A2 Consulting. In 2010, the FIR launched *CorDial* (Corporate Dialogue), a dialogue platform with listed companies on sustainable development issues. FIR is a founding member of Eurosif. www.frenchsif.org