Orchestrating Governmental Corporate Social Responsibility Interventions through Financial Markets: The Case of French Socially Responsible Investment

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Abstract

Although a growing stream of research investigates the role of government in corporate social responsibility (CSR), little is known about how governmental CSR interventions interact in financial markets. This article addresses this gap through a longitudinal study of the socially responsible investment (SRI) market in France. Building on the 'CSR and government' and 'regulative capitalism' literature, we identify three modes of governmental CSR intervention – *regulatory steering*, *delegated rowing*, and *microsteering* – and show how they interact through the two mechanisms of *layering* (the accumulation of interventions), and *catalyzing* (the alignment of interventions). Our findings 1) challenge the notion that, in the neoliberal order, governments are confined to *steering* market actors – leading and guiding their behavior – while private actors are in charge of *rowing* – providing products and services; 2) show how governmental CSR interventions interact and are orchestrated; and 3) provide evidence that governments can mobilize financial markets to promote CSR.

Keywords: Corporate social responsibility, Financial markets, Government, Orchestration, Regulation, Socially responsible investment

Over the last two decades, we have witnessed the rise of a new neoliberal form of capitalism that is dominated by institutional investors such as pension funds and asset managers (Davis, 2009; Useem, 1996). This rise has been accompanied by private and public regulatory efforts to encourage corporate social responsibility (CSR) and the consideration of environmental, social, and governance (ESG) issues by financial actors (Giamporcaro & Gond, 2016; Marti & Scherer, 2016; Slager, Gond, & Moon, 2012). In this context, the field of socially responsible investment (SRI) is a highly relevant domain in which to explore how national governments can experiment with and mobilize new forms of interventions (Djelic & Sahlin-Andersson, 2006; Gilbert, Rasche, & Waddock, 2011; Kourula, Moon, Salles-Djelic, & Wickert, 2019).

However, we know little about how governments promote the adoption of CSR within the context of financial markets. Moving beyond the perspective according to which CSR studies do not consider the role of government, a growing stream of studies investigate the relationship between CSR and government (Knudsen & Moon, 2017; Kourula et al., 2019). Despite its contribution to the analysis of national CSR policies (Albareda et al., 2008; Knudsen, 2018; Vallentin, 2015) or CSR-government relationships (Gond, Kang, & Moon, 2011; Knudsen, Moon, & Slager, 2015), this research has little to say about how new governmental CSR interventions *change* or *interact,* or how *financial market contexts* shape such interactions. Overlooking how governmental interventions change and interact prevents scholars from analyzing their systemic impact, and thus obfuscates effective CSR policy design (Knudsen & Moon, 2017; Schneider & Scherer, 2019). In addition, neglecting finance as a "regulatory space" (Power, 2012: xiii) can misrepresent governmental capacities to regulate CSR given how financial markets weigh on governmental choices and policies (Scherer, Rasche, Palazzo, & Spicer, 2016).

In this article, we address these blind spots by studying how governmental CSR interventions have evolved and interacted within the French financial market. We build on insights from the literature on CSR and government (Dentchev, Haezendonck, & van Balen, 2017; Knudsen & Moon, 2017; Kourula et al., 2019; Schneider & Scherer, 2019) and Osborne and Gaebler's (1992) nautical analogy of the state engaging in *steering*, and other actors *rowing*, which is a central reference point in the literature on regulative capitalism (Braithwaite & Drahos, 2000; Denhardt & Denhardt, 2000; Levi-Faur, 2005). Steering interventions relate to "governing by setting the course, monitoring the direction and correcting deviations from the course set" (Crawford, 2006: 453), and are regarded as governmental actors' prerogatives in a neoliberal context. Rowing interventions, on the other hand, relate to the enterprise, products and service provision, and are usually handled by private actors (Osborne & Gaebler, 1992).[1]

Our empirical analysis focuses on the role played by a range of French governmental actors (e.g., the state and state-owned investment groups) in the development of the national SRI market between 1997 and 2017 through interventions that targeted public companies as well as institutional investors. SRI practices involve the consideration and inclusion of traditional nonfinancial – otherwise known as ESG – information into investment decision-making processes (Eurosif, 2018; Kurtz, 2008) with the purpose of enhancing public company CSR behavior and investment returns. With €920 billion assets under management (AuM) subject to the integration of ESG criteria within investment decisions, France is one of the most dynamic European SRI markets (Eurosif, 2018) and is characterized by the role of the state in the development of its market (Arjaliès & Durand, 2019; Crifo, Durand, & Gond,

[1] The distinction between steering and rowing has been used in the literature on regulatory capitalism to evaluate the evolution of the role of the state and business in the provision of public goods. For instance, Levi-Faur (2005) suggests that, during the 'Laissez-Faire Capitalism' (1800s-1930s) period, steering and rowing were delivered by business; during the 'Welfare State Capitalism' (1940s-1970s) period, steering and rowing became the prerogatives of the state; and in the contemporary context of 'regulatory capitalism', steering is delivered by the state and rowing by market actors. As we will subsequently show empirically and theorize, we suggest that this distinction becomes blurred through the development of new modes of governmental CSR intervention.

2019).

Drawing on historical and longitudinal sources of secondary data and 78 semistructured interviews, we analyze all of the governmental CSR interventions that occurred as the French SRI market developed between 1997 and 2017, and show how these interventions redefined the distribution of roles between governmental and private actors. That is, beyond classical forms of state-led steering and private actor-led rowing (Braithwaite & Drahos, 2000; Levi-Faur, 2005), we abductively (Ketokivi & Mantere, 2010) identify new combinations of steering and rowing that blur the private/state dichotomy and allow for deeper, low-cost forms of state control of business conduct. Apart from *regulatory steering* – which is, the use of (hard) regulation without planning sanctions for noncompliance, we identify two other modes of intervention: *delegated rowing* – the mobilization of state-controlled organizations to change market actor behavior, and *microsteering* – the mobilization of technologies of governance such as labels or standards to micromanage market actor behavior.

Adopting a social mechanism approach (Stinchcombe, 1991), we then analyze how interactions between modes of intervention become "transformed into some kind of collective outcome" (Hedström & Swedberg, 1998: 23). Here, we identify two main mechanisms that we refer to as *layering* and *catalyzing*. Layering relies on the complementarities between interventions and explains how the accumulation of, for example in our case, regulations on enhanced ESG data provision in the French marketplace supported the creation of new state-owned actors and allowed them to experiment with new governance tools. The catalyzing mechanism relies on the alignment of interventions, and explains how coexisting interventions produce targeted pressure points, which extend regulatory depth and breadth and ultimately provoke a major shift in the market as well as SRI mainstreaming.

By showing how governmental CSR interventions interacted within the French financial market, our analysis offers a threefold contribution to theory. First, we identify new modes of governmental CSR interventions that recombine steering and rowing so that governments can enhance their influence, even though they operate within a neoliberal order. Second, we theorize two social mechanisms that explain how governmental CSR interventions interact and thus clarify how multiple interventions can be effectively orchestrated. Third, we highlight how governments mobilize financial intermediaries – such as public pension funds – to influence other market actors and identify some of the necessary market-related conditions for the deployment of effective governmental CSR interventions.

GOVERNING CSR: CONCEPTUAL BACKGROUND

Recognizing and Accounting for Governmental CSR Interventions

Although CSR has traditionally been defined as corresponding to *voluntary* business activities (Barnett, Hartman, & Salomon, 2018; Carroll, 2008), where CSR means "going *beyond* obeying the law" (McWilliams & Siegel, 2001: 117), a growing body of literature has shown that national governments can, and do, play a role in the adoption and formation of CSR behavior (Dentchev et al., 2017; Matten & Moon, 2004; Moon & Vogel, 2008). This move towards a "related perspective" (Knudsen & Moon, 2017: 15) that investigates how CSR and governmental activities overlap is consistent with legal scholars' view that CSR not only happens *beyond* law but also *through* law (McBarnet, 2007; Zerk, 2006), notably through national procurement policies (McCrudden, 2007). In line with Schneider and Scherer (2019), we define governmental CSR interventions as "the system of public goals, strategies, laws, regulations, incentives, and funding priorities that governmental agencies, or their representatives, implement to motivate, facilitate and shape the CSR activities of business firms" (p. 4). In contrast to these authors, however, we refer to *interventions* rather than *policies* to stress that governmental actions in the CSR realm often take the form of soft, rather than hard, regulations that aim at nudging, as opposed to commanding, private actors.

Initial studies of ‘CSR and government’ have established the existing range of governmental CSR interventions. One stream of research has documented public policies related to CSR in different regions of the world (Albareda et al., 2008; Knudsen et al., 2015). For example, Steurer, Martinuzzi and Margula (2012) showcase the differences in themes and instruments of public policies focused on CSR across multiple European Union (EU) member states and find that Western member states (e.g., Denmark) are relatively more active than Eastern European countries (e.g., Poland) in the CSR regulatory space. On the other hand, Knudsen et al. (2015), analyzed changes in CSR policies in 22 EU member states and identified some convergence of CSR-related public policies within specific regions. To explain this cross-national diversity and to document governmental CSR interventions, a second stream of studies has developed typologies of the processes by which government and private actors interact around CSR (e.g., Fox, Ward, & Howard, 2002, Gond et al., 2011; Steurer, 2010).

Together, this prior research suggests that governments operate as strategic actors in the CSR field (Gond et al., 2011; Moon & Vogel, 2008) – especially in Europe (Knudsen et al., 2015). Governments can organize the delegation of CSR activities to private actors (Vallentin & Murillo, 2012), shape business behavior through a vast repertoire of instrumental means (from financial incentives to endorsements) and modes of interaction (from command and control regulation through to pure delegation), or focus on a variety of CSR-related domains (from suppliers’ procurement to corporate reporting and responsible investing).

Explaining How Governmental CSR Interventions Work

Recent research efforts focus on clarifying the assumptions underlying governmental CSR interventions (Knudsen & Moon, 2017) as well as the mechanisms by which they produce effects in the business world (Schneider & Scherer, 2019). This research does so by incorporating insights from studies of regulatory capitalism (Braithwaite, 2011; Levi-Faur, 2005), which find that state authorities still exert considerable power through the multiple regulatory activities they deploy (Wood & Wright, 2015).

Knudsen and Moon (2017) provide a deeper and enriched understanding of governmental CSR policies as *embedded* within global forces (Polanyi, 1957), inherited policies and domestic institutions (Knudsen, 2018; Matten & Moon, 2008), and *agential* in the sense that CSR policies also result from the deliberate choice of governments to intervene in specific CSR domains. Building on this assumption of an embedded *and* agential approach to governmental CSR interventions allows us to conciliate the notion that government still matters despite globalization and to conceptualize various modes of governmental CSR interventions. Knudsen and Moon (2017), however, stress the lack of investigation and theorization regarding the interactions among multiple CSR policies that are deployed directly or indirectly by national governments. Prior empirical studies have usually adopted a cross-national comparative design (e.g., Albareda et al., 2008) or used ad hoc examples of governmental CSR-related practices to conceptualize typologies (e.g., Gond et al., 2011). As a result, this research has little to say about whether and how various governmental interventions in a specific country interact to shape a CSR domain or outcome. In particular, prior studies do not empirically investigate how governments diversify their use of CSR from a form of deregulation (e.g., delegating activities to private entities) to regulation (e.g., interventions that shape the activities of private entities), or even reregulation (e.g., turning soft laws into mandatory regulations).

Schneider and Scherer (2019) have moved the analysis of 'CSR and government' one step further by conceptualizing the mechanisms by which governmental interventions shape market actors' CSR behavior and specify their boundary conditions. Building on a definition of a social mechanism as "a process in a concrete system, such that it is capable of bringing about or preventing some change in the system as a whole or in some of its subsystems" (Bunge, 1997: 414), they theorize four processes that make governmental CSR policies work. These processes are as follows: (a) the modification of available *restrictions* of business behavior through reregulation, the design of economic incentives or the creation of isomorphic pressures; (b) the *shaping of actors' preferences and values*, for instance, in the context of interventions in deliberative collective decision making; (c) the provision of *knowledge and resources*; and (d) the empowerment of third parties to pressure firms towards engaging in CSR compliance. According to these authors, through these processes, "governmental CSR policies can help businesses overcome the barriers that the lack of sufficient *motivation*, *capabilities*, *knowledge*, and *legitimacy* pose" (Schneider & Scherer, 2019: 38, emphasis added).

Although a social mechanism approach is well suited to capturing the multiple interactions among governmental CSR interventions, Schneider and Scherer (2019) mainly focus on the mechanisms underlying each mode of governmental intervention and the identification of their specific boundary conditions. As a result, the mechanisms by which different modes of governmental CSR intervention interact remain unknown. In addition, even though Schneider and Scherer (2019) highlight boundary conditions that weigh on the mechanisms they identify, they overlook the particular conditions that financial markets create for firms. We now focus on these two limitations, as they motivate our empirical study.

How do Governmental CSR Interventions Interact: Governing through Orchestration

To holistically and longitudinally investigate the interactions between governmental CSR interventions, we build on concepts from the regulative capitalism literature (Abbott, Genschel, Snidal, & Zangl, 2015, 2017; Braithwaite, 2011; Levi-Faur, 2005). Consistent with the assumption that governments are *agential* (Knudsen & Moon, 2017), we regard governments as able to initiate “a wide range of directive and facilitative measures designed to convene, empower, support, and steer public and private actors engaged in regulatory activities” (Abbott & Snidal, 2009: 510).

To capture the variety of governmental CSR interventions, we rely on the distinction between *steering* interventions – which relate to leading, thinking, directing and guiding, and *rowing* interventions – which relate to enterprise and service provision (Osborne & Gaebler, 1992: 25). This distinction has largely been used to account for a new division of labor between governments' steering – through ‘hands off’ or ‘soft’ types of regulation – and private actors' rowing – by providing services and technological innovation instead of the state (Osborne & Gaebler, 1992; Levi-Faur, 2005). In contrast, we regard steering and rowing as two useful categories to abductively make sense of current modes of governmental intervention that may blur this traditional distinction.

We regard governments as coordinating CSR interventions through modes of rowing and/or steering and accordingly consider that a CSR policy ‘package’ can be ‘orchestrated’ by government. Orchestration is defined as “the mobilization of an intermediary by an orchestrator on a voluntary basis in pursuit of a joint governance goal” (Abbott et al., 2017: 722), and refers to the enrolment of several intermediaries – through soft governance means – to achieve specific political objectives. Although this notion has primarily been used to investigate how transnational governance organizations or nongovernmental organizations (NGOs) deploy their policy activities (Abbott et al., 2015, 2017), Henriksen and Ponte (2018) show its empirical relevance to investigate how governments coordinate many forms of interventions in the aviation industry. In this article, we focus on the mechanisms underlying the orchestration of governmental CSR interventions in financial markets.

Making Governmental CSR Interventions Work in a Financialized Context: Governing *through Financial Markets*

In the context of financial capitalism (Davis, 2009), financial markets are both a central space in which national governments can shape the business adoption of CSR and a potential constraint that weighs on government and firm capacity to implement CSR policies. Prior governance studies suggest that financial markets per se can constitute a space for regulating corporate behavior (Engels, 2006) and that multiple forms of "discreet regulations" (Huault & Richard, 2012) take place within, if not through, practices such as corporate financial reporting (Botzem & Quack, 2006). Marti and Scherer (2016) also argue that the promotion of social justice and welfare by corporations requires governmental intervention in the financial sector. Schneider and Scherer's (2019) analysis of the boundary conditions of governmental CSR interventions also indirectly point to financial markets as a context that shapes the capacity of governments and firms to successfully carry out such interventions. For instance, governmental legitimacy and capacity to engage neutrally in deliberative contexts may be restricted by the lack of credibility of governments in the eyes of financial actors, and firms' willingness to provide resources to comply with CSR regulations may be reduced by pressures from their shareholders.

Although prior studies of governmental CSR interventions mention SRI policies as a lever of action for government (e.g., Knudsen et al., 2015; Steurer et al., 2012), the mechanisms by which governments directly shape investors' responsible behavior within financial markets – and, subsequently, indirectly shape corporations' responsible behavior through financial markets – has been overlooked. In this article, we focus our analysis on how a range of governmental CSR interventions interact within the context of the construction of a national SRI market. Our analysis is guided by the following question: *How do governmental CSR interventions operate and interact within financial markets in ways that shape firm behavior?*

RESEARCH CONTEXT, DESIGN AND METHOD

Case Selection

To address this question, we draw from an in-depth historical, longitudinal case study of the French SRI market. Our analysis spans the 20-year development of this market from 1997 to 2017. Although there were only a handful of French asset managers offering a small number of SRI products in the mid-1990s, the French SRI market has become one of the most developed in Europe since then (Crifo et al., 2019; Eurosif, 2018). In 2017, for example, a total of €920 billion AuM were subject to a form of 'ESG integration' (investment) strategy, compared to €338 billion in 2015 (Eurosif, 2018: 91).[2]

This market is of specific relevance to our research question for two main reasons. First, it represents a case of relatively successful "SRI mainstreaming" (Crifo & Mottis, 2013: 579) in the sense that numerous, leading, French asset managers and the largest pension funds have now integrated SRI practices into their core business (Crifo et al., 2019). Such a shift is of significant global financial magnitude, as the French asset management industry is the second largest in Europe and the third largest in the world, after that of the USA and the UK (Eurosif, 2018). SRI can thus help us appreciate how national regulations operate through a market that is globally connected by nature. Second, this marketplace, like other European SRI markets (Steurer, Margula & Martinuzzi, 2008), has been influenced by heated political debates, such as that regarding the management of pension funds or employees' savings (Crifo & Mottis, 2016), and is regarded as an established domain of governmental CSR

[2] There are seven SRI strategies identified by Eurosif since 2012: Best in class, sustainability themed, norms-based screening, engagement and voting, ESG integration, exclusions, and impact investing. France is the champion of ESG integration, a strategy which consists of taking into account ESG criteria within investment decisions. France is also the European leader in the best in class screening strategy, with €295 billion AuM subject to this approach in 2018, compared to €83 billion AuM in the Netherlands (EuroSIF, 2018). The best in class strategy amounts to systematically decreasing or increasing the weight of corporations and other listed entities within investment portfolios according to their corresponding ESG ratings (for a more detailed presentation of ESG investment strategies, see also: EuroSIF, 2018).

intervention (Steurer et al., 2012). Prior work has also highlighted the role played by the French state and public actors in this market's early development (Arjaliès & Durand, 2019; Giamporcaro & Gond, 2016).

Data Collection

To capture the history of governmental CSR interventions in the French SRI market, we collected data from multiple sources that played complementary roles in our analytical process. Appendix A provides a detailed presentation of our data sources and of how they were used.

Historical and Secondary Data

Because we adopt a longitudinal approach to the analysis of the role of the government in the French SRI domain, sources of secondary data played a central role in our analytical strategy (Langley, 1999). First, we collected newspaper articles about SRI in France using the Lexis Nexis Academic database and key terms related to SRI (e.g., responsible investment or ethical investment) and the most prominent actors from the field (e.g., leading SRI funds or investment firms). These data helped to build a detailed chronology of the stages of SRI development in France over the twenty-year period in question. Second, we collected all of the available, quantified information about the development and transformation of this market from 1997 to 2017 from the websites of organizations such as Novethic or Eurosif (European Social Investment Forum). Third, we collected all of the governmental reports related to SRI, that is, the documents about the ESG policies of the two main public pension funds, as well as publicly available information related to the state-backed labels for SRI. Fourth, our analysis was also informed by prior academic studies of SRI in France (e.g., Arjaliès, 2010; Crifo et al., 2019; Déjean, Gond & Leca, 2004; Giamporcaro & Gond, 2016).

Interviews

Another important source of information to document the development of the French SRI market and the deployment of governmental interventions was a rich set of 78 semistructured interviews conducted with prominent SRI actors between 2000 and 2017. Forty-eight interviews were completed between 2000 and 2011. We used these earlier interviews to complete and support the secondary archival and historical data to build our narrative. Thirty interviews were completed after 2012 and helped to *retrospectively* document the effects of the previous period (1997-2011). This second batch of interviews helped us document the *in vivo* effect of the interactions among the different modes of governmental CSR intervention since 2012.

We count among our interviewees the key actors involved in French SRI "chains of finance" (Arjaliès et al., 2017), such as asset managers (*n* = 42), state representatives, public asset owners and state-related organizations (*n* = 23), actors from the leading French CSR rating agency (Arese/Vigeo), and other stakeholders (*n* = 13), such as trade unions and professional associations (see Appendix B for more details about our interviewees and the timeline of the interview campaigns). Through "snowballing" (Biernarcki & Wardof, 1981: 141) and our increased familiarity with key actors in the field over the years, we accessed interviewees who played a central, and sometimes prolonged, role in the public administration of and lobbying for the development of the market. Our discussion with these interviewees allowed us to reconstruct elements of the "closed-door politics" that underlined the design of SRI regulations in the shadow of different ministries between 1997 and 2017.

Participant Observation

Our access to central field actors was also facilitated by the personal ties developed by one of the authors who worked at an organization that played a crucial role in the development of the French SRI market between 2002 and 2008. This author was formally employed to collect and analyze data about the SRI market. Through this position, the author attended high-level discussions about the design and structure of pension fund SRI activities between 2005 and 2007 and observed numerous political dynamics associated with these activities. Many of the contacts developed over this intensive period of field immersion became acquaintances who facilitated further access to SRI actors, who provided open and unpolished insider viewpoints on the highly politicized organizational interactions between private (e.g., asset managers) and public (e.g., state pension fund, ministry) actors during this period. Informal conversations with these interviewees helped us to advance our knowledge of the political dynamics deployed in this market.

Analytical Strategy

To investigate the role of the government in the making of the French SRI market between 1997 and 2017, we combined qualitative (Yin, 2009) and longitudinal data analysis methods (Langley, 1999), which followed a three-stage process.

Stage 1: Mapping the SRI Market Development through Temporal Bracketing

We first built a detailed chronology of the key events that marked the development of SRI in France over the whole period, identifying the roles of a variety of different stakeholders (asset owners, asset managers, government bodies, CSR rating agencies). Through this process, we could track governmental CSR interventions over the twenty-year period and identify multiple instances of interactions between SRI market development and global forces, such as rising concern about climate change or the emergence of European regulation about SRI. We also relied upon numerous quantitative indicators to track the development of this market in terms of the AuM number of the SRI products developed and the number of asset managers offering SRI products. Figure 1 provides an overview of the evolution of the French SRI market, highlighting its three periods of development. First, from 1997 to 2007 (Period 1), there was continuous growth of the French SRI market, with an increasing number of asset managers participating (from 7 to 47) and a sharp increase in the number of SRI products being offered (from a dozen in 1997 to more than 100 in 2007). Numerous changes in the national legal context drove SRI market growth during this first period, which can be referred to as the "construction of a French SRI regulatory springboard". Second, between 2008 and 2011 (Period 2), we witnessed a phase of legal extension and mainstream appropriation. Despite the 2008 financial crisis, there was a sharp increase in the number of SRI products offered in France (*Les Echos*, 2009) and a steady increase in AuM subject to ESG criteria in investment decision making, signifying the "mainstreaming of SRI" among leading French asset managers at the time (Crifo et al., 2019; Crifo & Mottis, 2016). Finally, between 2012 and 2017 (Period 3), we witnessed SRI mainstreaming in the market, which our interviewees referred to as a "SRI big bang". In particular, since 2013, the SRI market in France grew exponentially in terms of AuM subject to ESG criteria (from €200 to €322 billion) and the number of new SRI funds created (from 250 to 439 funds). This upsurge in the market derived from the appropriation of ESG investment criteria by major institutional investors between 2006 and 2012 as well as governmental interventions.

Several of our expert interviewees validated this chronology, which we used as an overarching analytical template to identify when governmental CSR interventions took place and what their main effects in the financial marketplace were (see Table 2). Once we identified this pattern of French SRI market development, we focused on how governmental CSR interventions helped to create such mainstream acceptance of SRI in the French financial market.

INSERT FIGURE 1 ABOUT HERE

Stage 2: Abduction of Modes of Governmental Intervention

Based on our interviews and secondary data, we grouped the data we acquired about French governmental CSR interventions together and analyzed these through typologies of CSR interventions proposed in the literature (e.g., Gond et al., 2011; Knudsen & Moon, 2017). Although we initially found Osborne and Gaebler's (1992) distinction between steering and rowing relevant to describe governmental interventions, through further analysis, it appeared to be too generic for the empirical complexity of the French government's interventions in the SRI domain, especially as many of these interventions blended characteristics of both steering and rowing.

Therefore, to make sense of this "anomaly" (Behfar & Okhuysen, 2018: 329) and to more accurately capture the governmental CSR interventions in our case, we engaged in abductive reasoning (Kekotivi & Mantere, 2010) and analyzed our data again to identify specific combinations or forms of steering and rowing. First, beyond the classical state *regulatory steering* intervention through direct (or hard) regulation to guide market actors (but without planning sanctions for noncompliance), we identified several indirect forms of state interventions deployed through state-governed organizations that blended elements of steering and rowing, and focused on the empowerment and enrolment of state-owned market actors to deliver CSR policies. We refer to these as *delegated rowing* interventions. Second, we isolated a third type of intervention that corresponded to a 'hands-on' form of steering by private or public actors, and notably took the form of the state capture of SRI labels, which we refer to as *microsteering* interventions. Microsteering corresponds to governmental CSR interventions that involve the government's active mobilization of soft power and 'technologies of governance', such as labels, standards, or awards. These technologies share the property of micromanaging actor behavior. Table 1 provides the definition and supplementary illustrations of these three modes of governmental CSR intervention.

Stage 3: Identification of the Social Mechanisms Explaining How Governmental CSR Interventions Interact

We then used the analytical categories induced in Stage 2 and our temporal brackets identified in Stage 1 to build a chronology of these three modes of governmental CSR intervention. Table 2 summarizes our analysis by showing how the different modes of intervention were mobilized at each period of SRI development and distinguishes the main actions corresponding to the intervention from their effects on the market. Here, we realized that some forms of governmental CSR intervention played a more crucial role in explaining the transformation of the market than others because the magnitude of their effects was stronger, according to our interviewees (see Table 2).

INSERT TABLE 2 AND FIGURE 2 ABOUT HERE

We then revisited our qualitative data to explore how various forms of interactions between, or combinations of, the three modes of governmental CSR intervention could explain the effects we observed (see Table 2). Following Schneider and Scherer (2019), we adopted a "social mechanism" approach (Hedström & Swedberg, 1998; Stinchcombe, 1991) to make sense of the interactions between governmental CSR interventions and focused on the recurrent interactions among governmental CSR interventions, within each period.

Moving back and forth between, on the one hand, the effects of governmental CSR interventions and, on the other hand, their timeline, we realized the importance of the diachronic or synchronic occurrence of these interventions and identified two core underlying mechanisms explaining their holistic impact. The first mechanism is *layering*, which points to the *complementarity* between these interventions through a process of accumulation. This process could be metaphorically seen as a form of "legal sedimentation". That is, each intervention adds a layer of regulation, which creates a context that produces specific effects on market actors (e.g., making CSR calculable, experimenting with new forms of governance). The second mechanism we identified is *catalyzing*, which relates to the co-occurrence of interventions targeting distinct categories of market actors, making all of them aware of an issue at the same time and aligning their behavior around the issue. The simultaneous interactions among interventions reinforce their impact by operating as a catalyst to SRI mainstreaming within the financial marketplace. Revisiting our chronology in light of these two mechanisms, we realized that layering took place during the first two periods (1997-2011) and catalyzing mainly during the last period (2012-2017), and that both mechanisms involved the combination of distinct modes of intervention. The overarching influence of these mechanisms is depicted in Figure 2. To describe how these mechanisms operate, we developed a detailed narrative that explains the three modes of governmental CSR intervention and their interactions. This narrative forms the basis of our findings section.

ORCHESTRATING AN SRI 'BIG BANG': LAYERING AND CATALYZING

We now show in detail how our three modes of governmental CSR intervention built on and complemented each other over time through *layering* and ultimately aligned the behavior of multiple actors through a series of combined interventions that acted as a *catalyzing* mechanism for SRI in France. Overall, these mechanisms enabled SRI mainstreaming within the French financial marketplace (see Figure 2).

Layering: Accumulation of Complementary Regulatory Steering and Delegated Rowing Interventions

Dominant Modes of Governmental CSR Intervention in Periods 1 and 2 (1997-2011)

Central to the early development of the French SRI market were the *regulatory steering* and *delegated rowing* modes of intervention. *Regulatory steering* is a mode of governmental intervention used by states and ministries to shape actor behavior through the promulgation of laws and the application of decrees. This mode departs from traditional "command and control" approaches to regulation (MacBarnet, 2007), as the legal frameworks it produces are normally only loosely constraining. These laws do not usually specify sanctions in the case of noncompliance by targeted actors and leave room for multiple forms of operationalization. Between 1997 and 2011 (Periods 1 & 2), regulatory steering progressively enhanced the capacity of a wider range of SRI market actors (first corporations and then asset managers and public asset owners) to report under the state's ESG disclosure requirements with increased precision and depth over time.

Delegated rowing corresponds to governmental interventions that rely on the mobilization of state-led organizations to indirectly regulate the behavior of other market actors. Although the responsive capitalism literature regards rowing, in the 21st century, as a prerogative – which is usually delegated to the private sector by public actors (Levi-Faur, 2005) – we found that the French state engaged in rowing itself, albeit indirectly. That is, between 1997 and 2011 (Periods 1 & 2), the state pooled financial, political and institutional resources into new state-led organizations dedicated to SRI and reformed existing organizations by decree with the aim of advancing SRI within the French financial market. Regulatory steering enabled this delegated rowing through the creation of state-led asset owners *Fonds de Reserve des Retraites* (FRR) and *Établissement de Retraite Additionnelle de la Fonction Publique* (ERAFP), as well as the mobilization of existing state-owned investment actors such as Caisse des Dépôts et Consignations (CDC) and their newly created subsidiary (Novethic); these were empowered by the nascent and favorable SRI regulatory environment to act as socially responsible "experts" or "investors" in the French financial market.

How Governmental CSR Interventions Interacted in Periods 1 and 2 (1997-2011)

Layering operated first through an accumulation of regulatory steering interventions that enabled the extension of the number and type of actors subject to compulsory ESG reporting. Over the years, the legal requirements to report on ESG issues moved from corporations in the 2001 NRE (New Economic Regulations) law to employee savings vehicles in the 2001 Fabius law on voluntary employee savings, and eventually to asset managers in the 2010 Grenelle II law (see Table 2) – which, for the first time obliged asset managers to disclose detailed ESG information (*Les Echos*, 2012).

> *There was the NRE [Law] for the companies that turned into the [Grenelle Law Article] 225 and you also had the [Article] 224, which was not super clear but also required from asset managers some ESG reporting. We, asset managers, were asked even before the asset owners to do this. […] The French system channels pressure because the state creates a law for each of the players involved, and this creates a competitive environment for market actors*. (Head of SRI Research, Asset Manager 26, interview 63)[3]

In 2013, a study concluded that 90% of asset managers targeted by Grenelle II Article 224 were able to provide general information about their SRI strategies and a list of their investment funds adopting an SRI approach.[4] As a whole, these regulatory steering interventions by the French state during Periods 1 and 2 forced targeted market actors (companies and investors) to incorporate ESG issues into their activities, so that they could adequately disclose ESG data to CSR rating providers, investors, and other stakeholders, such as trade unions and civil society.

While none of these legal frameworks imposed strict reporting formats, the regulative power of these 'soft' interventions grew as they accumulated, as did the competitive 'peer

[3] Please refer to Appendix B for more details about the interviews.
[4] For more details see: https://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/prc3a9sentation-novc3a9thic-article-2241.pdf, accessed May 2016.

pressure' associated with their implementation among the key market actors involved. Hence, the consecutive ESG-related laws reinforced each other by extending the scope of the actors involved along the SRI value chain while at the same time deepening the nature of their ESG disclosure requirements.

A second central component of layering was the French state's combination of regulatory steering and indirect rowing through its major influence on CDC, which is the state-owned investment group, whose chief executive officer (CEO) is chosen by the French president and described by some interviewees as "the financial right-hand man" of the French state. Through multiple application decrees, this organization became more closely involved with the administrative management of two newly created public asset owners: the FRR and ERAFP.

The FRR was established by the pension funds law of July 2001 (law 2001-624) and is a buffer reserve fund designed to protect the French public retirement system in case of financial shortcomings. The ERAFP, created in August 2003 (law 2003-775), is an additional French public service pension scheme whose CEO is appointed by the joint order of the ministers in charge of the public service, the national budget, and social security.

In 2005, the ERAFP's first action consisted of implementing an ambitious SRI policy to integrate ESG criteria into all of the scheme's investment decisions. In the same year, the FRR launched its first call for tenders to select asset managers for its SRI funds, followed by the first ERAFP SRI equity call in 2006. These two calls for tender attracted bids from 40 and 30 international and local asset managers, respectively (Giamporcaro & Gond, 2016). The FRR subsequently delegated its SRI investment to 6 asset managers, whereas the ERAPF entrusted its investment portfolio to two prominent French asset managers: BNP Paribas and IDEAM; the latter a subsidiary of Credit Agricole Asset Management, which, in 2010, merged with another prominent French management house to form Amundi – the biggest

French asset manager. In designing two giant asset owners – accounting for €34.5 (FRR) and €4.7 (ERAFP) billion AuM by the end of 2007, who adopted ambitious SRI policies and mandates from scratch, the French government increased the total AuM subject to ESG criteria in the financial market while simultaneously signaling its long-term commitment to SRI to the asset management industry.

The CDC described by interviewees as "being an incubator for SRI" for providing operational and administrative support to the FRR and ERAFP was also tasked in 2007 with managing the IRCANTEC[5] – another public pension scheme – which was earmarked by the French government to become an SRI investor:

> *At the CDC, one of our main internal clients is IRCANTEC. IRCANTEC administrators wanted all IRCANTEC assets to be managed with SRI principles. The first mission for us was to define what that means. An SRI charter was defined. Our job is to implement it with the help of the external asset managers we work with. If you compare us with the FRR, which started its SRI program in 2002-2003, and ERAFP in 2005-2006, we started later in 2007. There is competition between public asset owners but of a benevolent kind. Our goal is to catch up and to be even better.* (Head of RI, Asset Owner 3, interview 70)

In addition, in 2008, the Economic Modernisation Act (Law 2008-776) marked a significant turning point in the French SRI market, as it repositioned the public investment group, CDC, as an SRI investor; which the following statement from CDC's website, published directly after this act launched in 2008, outlines:

> The CDC is a long-term investor: It analyses the profit of its holdings portfolio on a long-term horizon. This long-term horizon leads the CDC to behave as a SRI investor. (CDC Investment Doctrines, December 2008, available on the CDC website)

In general, this revised legal framework confirmed the already well-acknowledged prominence of these state-led organizations in the development of the French SRI market (see Table 1). From 2001 onwards, the CDC, FRR, ERAFP, and IRCANTEC developed their SRI competencies, strategies and products but also delegated many financial services and products – through market intermediaries and asset managers – that they were not willing to

[5] In the French language, IRCANTEC stands for *Institution de Retraites Complémentaires pour les Agents Non Titulaire de l'État et les Collectivités publiques*.

generate directly.

These large public asset owners led the French financial industry towards more SRI professionalization, not only through their multiple calls for asset manager ESG tenders but also through their direct influence on the SRI agenda itself, notably through voting and engagement with companies on ESG matters (Heads of RI and ESG analysts, Asset Owners 1, 2, 3 interviews 66 to 70; FRR, 2017). These asset owners delicately built their ability to govern the conduct of their asset managers with regard to SRI matters.

> *If you want to have an ESG impact on the companies, the most efficient way to go about this is to hassle your asset managers regularly. It is a leverage phenomenon that can have multiple effects. We have more than 50 asset managers working for us. Our main leverage on the companies is to get all our asset managers to engage in ESG with them.* (Head of RI, Asset Owner 1, interview 67)

By applying "soft touch" regulatory steering through laws and decrees, the state created or pushed existing actors to integrate ESG factors into their investment operations. Additionally, this approach made it possible for them to form a pioneering "club" of public assets owners engaged in SRI (Head of RI, Asset Owner 1, interview 68) who were able to influence investee company CSR performance in a delegated fashion through their asset managers.

In addition, the CDC was instrumental in indirectly influencing market actors' behavior through its role in the consolidation of the informational infrastructure of the SRI market.

> At the CDC, we are currently working on developing market tools such as ESG ratings for companies and SRI funds. […] I am convinced that financial markets will progressively integrate this broader approach to assess economic performance. (Daniel Lebegue, CEO of CDC; interviewed in *La Tribune*, October 2002)

That is, before becoming legally recognized as an SRI investor in 2008, the CDC financially supported two key ESG calculative agencies: Arese in 1999, which became Vigeo, the national CSR ratings agency, in 2002, and Novethic in 2001, which has its very own subsidiary dedicated to providing CSR and SRI information and research (Giamporcaro & Gond, 2016). Vigeo enabled the state to exert indirect pressure on companies and asset managers, as it produced company CSR ratings and benchmarks to incentivize companies to improve their CSR strategies and performance and simultaneously equipped asset managers with a calculative device to enhance their investment decision making and SRI products.

Similarly, Novethic stimulated asset managers to increase and compare their SRI expertise. Through the support of the CDC and based on the legitimacy and success of its SRI ratings system and market reports (Giamporcaro, 2006), Novethic transformed its SRI ratings system into a certification system in October 2009 – which is known as the "Novethic SRI label" (Arjaliès & Durand, 2019). This scheme required asset managers to pay fees to enter the certification process to obtain the label. Novethic equipped the label with an "Independent Advisory Council", including representatives of civil society organizations as well as public and private stakeholders. To obtain the label, French asset managers had to provide details about their SRI management approach; report on the ESG characteristics of their portfolio; provide clarification on the exact use of derivative instruments considered non-SRI compatible since the 2008 financial crisis; and, more contentiously, disclose the full list of portfolio holdings for any labeled fund at least once a year (Arjaliès & Durand, 2019). This approach to labeling opened up the "black-box" of SRI products available to retail clients, as it forced asset managers to publicly disclose their SRI policies and activities.

> *When the Novethic label came in, it was ambitious but necessary. You knew as an asset manager that you would need to prove that you were "walking the talk" in order to get in. The asset managers operating in France largely followed the Novethic label*. (Head of SRI, Asset Manager 5, interview 55)

Overall Impact of Layering in the Financial Marketplace

In sum, throughout periods 1 and 2 (1997-2011), the French state continuously empowered state-led organizations, such as the CDC, public pension funds, Vigeo and Novethic, through the combined mobilization of regulatory steering and indirect rowing interventions. These interventions complemented each other so that state interventions resulted in the progressive extension of the French SRI market due to the large size of some of these actors, such as the newly created public funds FRR and ERAFP (direct effect of regulatory steering) or the public asset owners, such as the CDC and IRCANTEC (indirect effect of regulatory steering and delegated rowing), that were "converted" to SRI.

These multiple "layers of regulation" subsequently enabled various relational and "isomorphic" forms of market regulation (Schneider & Scherer, 2019). First, the adoption of SRI strategies and practices by dominant public asset owners created peer pressure for other asset owners, as illustrated by the case of AGIRC-ARCCO (the national complementary retirement scheme for private sector employees), which jumped onto the SRI bandwagon in 2006 (see *Les Echos*, 2006). Second, these state-governed asset owners directly shaped the behavior of private assets managers through the numerous SRI mandates they required. Local and international asset managers began to reorganize themselves – through the creation of dedicated SRI services and competencies – to compete for these pioneering SRI tenders by large, public asset owners. Third, through the delegated rowing that created calculative agencies and regulatory steering regarding ESG disclosures, the French state shaped a competitive market environment around SRI.

Hence, in 1997, only 7 asset managers supplied a marginal amount of SRI products; in 2012, 53 asset managers (including the largest, Amundi) were actively involved in the management of more than 250 SRI products (see Figure 1). In addition, since 2003, French asset managers eager to be taken seriously and to benchmark well against their peers sought to obtain a good Novethic SRI rating. After 2009, asset managers applied to be awarded the Novethic SRI label for their SRI funds. In addition, public asset owners began to complement their nascent SRI expertise, by using the services of organizations such as Novethic and Vigeo, which were created through *delegated rowing*. For example, in 2006, the ERAPF and

FRR[6] (followed later by IRCANTEC) used Vigeo – as well as other CSR rating agencies – to measure the ESG quality of portfolios managed by delegated asset managers. During the same period, Novethic was tasked by the CDC to act as an internal SRI consultant for the ERAFP (Giamporcaro & Gond, 2016). Ultimately, this market environment – constituted through the layering of multiple, complementary governmental interventions – enabled the emergence of a "SRI Big Bang" in France through catalyzing.

Catalyzing: Alignment of Regulatory Steering and Microsteering for SRI Mainstreaming

Dominant Modes of Governmental CSR Intervention in Period 3 (2012-2017)

Microsteering involves the active mobilization of "soft" governmental modes of intervention or "technologies of governance", such as labels, calculative devices (Miller, 1992), or standards (Reineke, Manning & Von Hagen, 2012; Slager et al., 2012), which "micromanage" market actor ESG behavior (see Table 1). In our context, microsteering mainly takes the form of SRI labels created with stringent criteria to determine what products and services can be considered "socially responsible". Through the evolution of the French SRI market between 1997 and 2012, labor unions, market intermediaries such as Novethic, and asset managers were directly involved in SRI label construction (see Table 2). Central to our analysis, however, is the fact that, between 2012 and 2017, the French government intervened in order to capture, and thus "legally solidify", some of these labels, which became, by decree, the property of the state in December 2015 and January 2016 (see Table 2).

> *It is the first time the French state created a label for a financial product. It never interfered this way with investment before*. (Head of SRI, Asset Manager 5, interview 65)

In parallel to microsteering, which emerged as a dominant mode of intervention at the

[6] See, for example, the FRR press release on hiring CSR rating agencies to measure the quality of its investment portfolio: http://www.fondsdereserve.fr/documents/061130_extra-financial-reporting_selection-of-providers_Nov_30_2006.pdf, accessed May 2016.

time, this second stage of market development was also characterized by the extension of regulatory steering. The deployment of Green Growth Law Article173-VI (2012-17, see Table 2) – referred to by practitioners as "the 173" and passed in August 2015 – considerably extended the French state's regulatory steering perimeter.

> *I think that everything changed in 2015 with the Ministry of Environment, which pushed the Green Growth Law and Article 173. This is when you realize that the willingness of the regulator changes everything. When I talk about a 'Big Bang', this is what I meant, that the French state had been the essential trigger of all of the changes that we are experiencing today*. (Head of SRI, Asset Manager 21, interview 53)

Microsteering and regulatory steering modes of intervention became fully aligned when Article 173-VI passed in December 2015, which stated that any commitment to labels pertaining to the achievement of ESG and climate objectives need to be reported upon both by asset managers and asset owners.[7]

How Governmental CSR Interventions Interacted in Period 3 (2012-2017)

To understand the catalyzing mechanism that aligned and strengthened SRI market forces, it is vital to unpack the series of events that led the French government to co-opt and then take over the microtechnology of governance that was experimented with by labor unions in the early 2000s, i.e., labels (Giamporcaro & Gond, 2016). This analysis will be followed by a discussion of the genesis of Article 173-VI, which builds on the French state's SRI regulatory steering effort deployed from 1997-2012 requiring mandatory reporting by public and private asset owners regarding their exposure to carbon risks for the first time.

In July 2012, the Novethic SRI label was singled out as a form of greenwashing by the

[7] The full text of the Article 173-VI decree is available on open access(accessed, May 2016): https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000031740341&categorieLien=id. See also the following English translation of the section of the article relating to the reporting commitments of the market actors subject to it: "any commitment of the entity, or certain undertakings for collective investment mentioned in 1o of I, to a charter, code or initiative, or label obtained for taking into account criteria relating to compliance with environmental, social and quality of governance objectives. Summary description of the charter, code, initiative or label".

most famous investigative journalism TV show in France.[8] During the show, the Head of SRI funds at Amundi and the CEO of Novethic, were set upon in front of the camera by the reporters and exposed as being unable to explain why a corporation involved in a recent oil leak was still part of Amundi's SRI funds (Arjaliès & Durand, 2019). Novethic reacted by increasing the stringency of its SRI label in September 2012 and raising the proportion of SRI-related exclusions from investment portfolios that was needed to bring the label to 15% (in comparison to the fund's investment benchmark). As a result, only 109 funds obtained this new label, in contrast with 156 the previous year (*Le Monde,* 2012). Subsequently, Amundi rapidly ceased its application for the label and announced that its SRI process would now be certified by another organization that did not necessarily require reliance on exclusion-based criteria (Arjaliès & Durand, 2019). This Amundi/Novethic dispute (*Le Monde,* 2013) created an unresolved chasm in the French SRI market and marked the entry of the Ministry of Environment[9]and the Ministry of Finance into the debate, which initiated the French state's capture of the label development process and produced an unparalleled mode of microsteering regulation.

In June 2013, one year after a state multiparty environmental conference that hinted that a public SRI label was in the pipeline, the necessity of creating a "unique and enriched SRI label" was reiterated by a public report commissioned by the Ministry of Environment and the Ministry of Finance (Brovelli, Drago, & Molinié, 2013).[10] The idea of a governmental SRI label was further discussed during the French Banking and Finance Conference for the Energy Transition the following year in June 2014. This discussion led to a series of

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[8] Source: https://www.youtube.com/watch?v=R7YPCRVx9hA. First accessed May 2016. See the minutes 41 to 51.
[9] This ministry was consecutively labelled the 'Ministry of Ecology, Sustainability and Energy' and 'the Ministry of Environment, Energy and the Sea' under the Hollande Government. We refer to it as the 'Ministry of Environment' to facilitate the readability of the narrative.
[10] This ministry was labelled 'the Ministry of Economy and Finance' under the Hollande government. We refer to it as the 'Ministry of Finance' to facilitate the readability of the narrative.

conferences, events, and workshops during which numerous private and public stakeholders intervened to shape the criteria of the label, as described retrospectively by the CEO of one of the leading French SRI asset managers:

> Flagship examples of how regulation can strengthen the attractiveness of commercial activities, and be designed in collaboration with private actors, come to mind [...]. In September 2012, during *'the Environmental Conference'* called by the Hollande President, the government announced its willingness to create a public SRI label. […] We immediately wanted to work with the government [*on this*]. This process spread over two years and ran through some difficulties, but we eventually reached a consensus, and the creation of two public labels: The public SRI label under the stewardship of the Finance Ministry; and the ecological transition label under the stewardship of the Ministry of Environment. (Philippe Zaouati, CEO of Mirova, extract from his book: *Green Finance Starts in Paris*, 2018)

Following three years of intense stakeholder lobbying, two distinct yet stringent labels were launched officially by ministerial decrees: 'the [financing] energy and ecological transition for climate' (TEEC) label in December 2015 (decree 2015-1615) and the 'public SRI label' in January 2016 (decree 2016-10).[11]

> *This is really the moment [2013-2015] when we all started to lobby the government. If you [the state] really want to create a public SRI label, this is up to you, but this is not going to help you to finance the ecological transition; you will need another label for this, a specialized one*. (Novethic, CEO, interview 75)

Central to this process was the tension among leading French asset managers with competing views on the "SRI exclusion ratio" to be adopted for labeled funds.

> *When the Ministry of Finance took over the public SRI label, the objective was to reach a regulatory situation where it has to make sure that SRI is really doing what it says it does, but in the meantime, the ministry had also to deal with the negative and antagonist energy of some market players in order to build something more positive*. (High Level Public Servant, Ministry of Finance, interview 72)

The public SRI label is a good illustration of how microsteering facilitated greater regulation of private actors, as the capture of this governance tool allowed the French

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[11] The full text of both documents can be accessed on the French legislative platform (first accessed May 2016). For the Ministry of Environment's TEEC label decree and the Ministry of Finance's SRI public label decree, see, respectively:
https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000031593158&categorieLien=id
https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000031800648&categorieLien=id.

government to reshape investors' internal investment processes in a relatively "low cost" way. This label also capitalized on prior microsteering interventions from other market actors, such as the Novethic SRI label, but it also strengthened some of their requirements by, for example, including a 20% SRI-related exclusion rate on investment portfolios instead of 15%, requiring the adoption and implementation of a shareholder ESG engagement policy, and requiring the measurement of SRI portfolios' positive ESG impact.[12] In addition, the label broadened the scope of previous microsteering efforts, even though there was an absence of NGOs in the governance of the label, and hence, the label's independence was still contested:

> *Because the majority of stakeholders focused only on fighting about the SRI exclusion rate of the label, we could get the elements we wanted within the label about shareholder engagement and detailed ESG impact measurement—two things that were absent from the prior Novethic label. My only regret is that NGOs are not represented in the executive committee*. (Trade Union, CIES Representative, interview 78)

By stepping into the process of label development and mediating the conflict between leading asset managers, the French state significantly extended the depth of its intervention in the market but in a way that was well received by the French investment industry:

> *The willingness of the French state to show that it wants to promote SRI is very clear. The public SRI label reference document is testimony to this. This is going very far. This is a very stringent system*. (SRI Product Specialist, Asset Manager 12, interview 59)

Today, the public SRI label remains the property of the French state, and its current administration rests with the Ministry of Finance, while state-accredited third-party providers are in charge of the auditing process and are remunerated directly by asset managers without

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[12] To obtain the label, SRI asset managers have to demonstrate that, over the entire investment universe used to construct their funds, they have excluded at least 20% of the worst performing corporations, based on their ESG rating (see the Legifrance links in footnote 12). Accordingly, the average ESG rating of their portfolio, should be higher than the average ESG rating of the investment universe of the fund.

[12] French CSR governmental interventions were accelerated by the unique window of opportunity offered by hosting the COP 21 (Conference of Parties) climate change negotiations in Paris in December 2015. Article 2 of the Paris Climate Change Agreement stipulates that financial actors should participate "in making financial flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development". See: https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english_.pdf (accessed May 2016).

any further state interference.

The French state not only extended the depth but also the breath of its ability to govern responsible business conduct in Period 3 (2012-2017). The mobilization around the drafting of Article 173-VI is testimony to the work of the French Parliament, the Ministry of Finance and the Ministry of Environment at the time. From 2012, the French state – through the Ministry of Environment and soon after the Ministry of Finance – engaged in the analysis of how to facilitate the energy transition, which led the state to take a special interest in what had been developed by asset managers, public asset owners, and service providers – such as Novethic and Vigeo – who were engaged in SRI. As one of our leading asset manager interviewees involved in this deliberative process recognized, the French government "was smart", as it "met with all the SRI players and got them to talk about all the pioneering things they were doing"; the passage of Article 173-VI (see Table 1) and the operationalization of its decree were organized through an ongoing dialogue with investors:

> *Designing the 173-VI decree was tricky, in the sense that it needed to be kept politically meaningful without losing half the actors in the process. […] You cannot force the mainstream finance actors to become SRI actors straightaway [...]. But, if you steer the conversation towards the idea that 'SRI players have their own motivation but there is a couple of things they understood, you could learn from them'. You can also start to ask 'Did you think about your ESG objectives?' The 173-VI decree is about forcing this strategic reflection about what 'ESG objectives' could mean. The goal is to create some kind of acceleration around the SRI idea and to catalyze some research and development from different investors who are more or less advanced but who all have to comply with or explain their ESG objectives*. (High Level Public Servant, Ministry of Finance, interview 72)

As a result, when Article 173-VI and its decree were released, "there was no other way for asset managers and asset owners than to support Article 173-VI, even with regard to its climate ambitions" (Head of SRI, Asset Manager 24, interview 61).

Overall Impact of Catalyzing in the Marketplace

Overall, the synchronicity of microsteering and regulatory steering created a mainstream acceptance of SRI in the French financial market by suddenly increasing both the depth and breadth of governmental intervention (see Figure 2). During Period 3 (2012-2017), the state pro-actively captured the previous trade union and state-related agencies' efforts to create a label for SRI products and fast-tracked the passing of the pioneering Green Law Article 173 regarding climate change reporting. The latter was enhanced by the prominence of ESG issues and the finance sector in the twenty-first conference of the parties (COP 21) and was confirmed by the launch of the Paris Climate Change agreement in mid-December 2015.[13] In the space of only 4 weeks, the French state and its ministers released 3 ground-breaking application decrees for the public ecological transition label (10 December, 2015), Article 173-VI (29 December, 2015), and eventually for the public SRI label (8 January, 2016).

The consecutive development of state-owned labels through microsteering supported the enrolment of major market players who could not refuse the adoption of a label they had codesigned. As shown in Figure 1, between 2012 and 2017 and, in particular, since 2013, the SRI market in France grew exponentially in terms of AuM subject to ESG criteria (from €200 to €322 billion) and the number of new SRI funds created (from 250 to 439 funds). Here, microsteering through the stringent public SRI label enhanced the regulatory depth of governmental interventions in the SRI realm. At the end of September 2018, the public SRI label was awarded to 166 funds from 36 asset management firms with approximately €45 billion AuM (Eurosif, 2018).

In parallel with the rapid adoption of the public SRI label, regulatory steering through Article173-VI also increased the SRI market's regulatory breath. For instance, Novethic reported that, from a sample of 100 of the leading institutional investors in France, 73 asset owners representing €2,093 billion (or 85%) of the combined assets presented documentation that fully or partially complied with Article 173-VI of the 2015 French Energy Transition

[13] See Novethic, 2018. *173 Shades of reporting, Season 2*, available at: https://www.novethic.com/.

Act.[14] Hence, as summed by one of our interviewees, the creation of the public SRI label aligned institutional investors' commitment with stringent ESG objectives such as those laid out in Article 173-VI:

> *Today, we can walk on two legs. We improve institutional investor practices with the 173, and we provide a high visibility tool to the general public with the label. But what is super interesting is that it is very likely that some asset owners who want to comply with Article 173-VI will end up investing in funds that were awarded the public SRI label. The main goal of the public SRI label was, in my mind, to reach the retail market, but actually in the future, assets owners are likely to be the ones who will use the public SRI label to fulfil, at a minimum, their ESG objectives*. (French Social Investment Forum, Staff Member, interview 77)

In short, both governmental CSR interventions interacted to contribute to SRI mainstreaming within the financial market, as reflected in Figure 1, following the layering and catalyzing mechanisms presented in Figure 2.

CONTRIBUTIONS, DISCUSSION AND CONCLUSION

In this study, we explored how governmental CSR interventions interact to shape business behavior through financial markets. Through a longitudinal analysis of the French SRI market, we identified three modes of governmental intervention that combine elements of steering and rowing: *Regulatory steering*, *delegated rowing*, and *microsteering*. Our findings show how the French government's CSR interventions interacted through two mechanisms: *Layering*, which evolved through an accumulation of complementary pieces of regulation, and created an informational context favorable for SRI market development within which actors could experiment with new technologies of governance such as SRI labels, and *catalyzing*, which combined regulatory steering and microsteering interventions to align market actors' interests and behavior. Layering *enabled* the catalyzing of the French SRI market so that governmental CSR interventions triggered mainstreaming throughout the

[14] Article first accessed in April 2019, on the International Labour Rights Forum website: https://laborrights.org/releases/government-bangladesh-not-ready-take-over-accord's-safety-work.

market (Figure 2).

Our study has resulted in a number of insights into the theorization of governmental CSR interventions in neoliberal capitalism, the analysis of the interactions of these interventions, the orchestration of these interventions by governments, and as the mobilization of financial market intermediaries to regulate CSR. We discuss these insights in more detail below before evaluating some of the boundary conditions of our results as well as the ethical implications of our study.

Contributions to the Study of Governmental CSR Interventions

Reinventing Governmental CSR Interventions: The Recombination of Steering and Rowing

Our first contribution is to identify and label modes of governmental CSR intervention that question the established distinction between the steering role of government and the rowing role of private actors in the provision of public goods (Levi-Faur, 2005; Osborne & Gaebler, 1992). Our results show that, in the case of the French SRI market, such roles became blurred as the government experimented with modes of intervention that enhanced its influence while remaining compatible with the neoliberal search for "low-cost" regulation. Although regulatory steering was privileged as a mode of governmental CSR intervention in France – a country where the role of the state in business affairs remains central (Schmidt, 2016) – these interventions were focused on market construction, blurring the traditional roles of private and public actors. Regulatory steering interventions led to the construction of an informational context supportive of SRI market development (e.g., design of laws supporting the provision of ESG data) and the enabling of market actors' experimentation with new ways of governing investor behavior (e.g., through the creation of SRI labels). Through such interventions, the French state could enhance its national influence on corporations and even extend that influence beyond the French borders, as "regulated" SRI-focused investors can subsequently influence investee companies globally (see also Vasudeva, 2013).

However, our study significantly extends prior insights into governmental interventions by showing that, even in such a state-driven context as France, governments can move beyond *steering* through the active mobilization of state-owned organizations (*delegated rowing*) or the capture of labeling initiatives developed by other actors (*microsteering*). Delegated rowing and microsteering recombined rowing and steering in an unprecedented manner (Levi-Faur, 2005; Osborne & Gaebler, 1992), as they involved the government more deeply without relying on a traditional "command and control" approach to regulation (McBarnet, 2007). These two modes of intervention further blur the roles of public and private actors in the CSR domain. How the French state dealt with the governmental SRI label provides a good illustration. The government enabled deliberations between private actors, specified the criteria of the label to be implemented by private investors, and defined which private auditors were allowed to audit this label while formally remaining the owner of the label.

Interestingly, the three modes of intervention we identified can activate one or several of the mechanisms theorized by Schneider and Scherer (2019). For instance, governmental CSR interventions in France have provided market actors with ESG-related knowledge (*regulatory steering*), created massive isomorphic peer pressure by redefining the mission of state-governed financial institutions (*delegated rowing*), and informed collective deliberations at crucial moments regarding the definition of French SRI and green labels (*microsteering*). As a whole, the portfolio of governmental CSR interventions we documented in our study shows that, even in a neoliberal context dominated by market mechanisms, governments can intervene to enhance their influence over private actors' CSR-related behavior. Our analysis thus addresses the recent call for studying the mechanisms underlying governmental interventions in “rapidly growing” and “new areas”, such as SRI (Kourula et al., 2019: 1117).

Explaining How Governmental CSR Interventions Interact: Layering and Catalyzing

Our second contribution relates to the interactions among governmental CSR interventions. Recent research has called for both the theorization of the mechanisms underlying governmental CSR interventions (Schneider & Scherer, 2019), and a more holistic understanding of how such interventions operate (Dentchev et al., 2017; Knudsen & Moon, 2017), which can be approached by considering how interventions interact.

Our study responds to these calls, as our analysis moves beyond a “one-by-one” investigation of the social mechanisms by which governmental CSR interventions operate (Gond et al., 2011; Schneider & Scherer, 2019) to conceptualize the mechanisms underlying the interactions between these interventions, namely, *layering* and *catalyzing*. These two social mechanisms are consistent with the “embedded” and “agential” (Knudsen & Matten, 2017: 15) nature of governmental CSR interventions. On the one hand, layering reflects governmental embeddedness within a legacy of CSR regulations, as it suggests that governments can accumulate regulative components of an institutional puzzle waiting to be assembled. In our case, there were no omniscient technocrats with a 20-year regulatory “grand plan”. Rather, successive governmental CSR interventions designed the pieces of a multisided regulatory puzzle and, in so doing, developed the breadth and depth of the French SRI market. On the other hand, catalyzing reflects a more agential approach to governmental regulation, as it involves leveraging market actors’ power through the alignment of their interests within a predefined regulatory context. In this regard, catalyzing consisted of French governmental actors purposively adding the last decisive regulatory pieces to the puzzle – through targeted interventions – to trigger mainstream acceptance in the market.

Although, in our case, both mechanisms operated sequentially– with catalyzing depending on pre-existing layering – we think that these mechanisms can potentially operate independently from each other, and we regard the precise nature of their interrelations as an empirical question to be explored in future studies. Methods such as fuzzy-set qualitative comparative analysis (fs-QCA) (Fiss, 2007; Misangyi et al., 2017), can help to generalize the analysis of how both mechanisms interact and operate across multiple contexts. In addition, future studies could, for example, explore how different elements of "a package" of governmental CSR policies (e.g., laws about ESG corporate disclosure, the SRI-focused regulation of state-owned pension funds, support for third parties or governmental SRI labels) are organized in configurations that produce specific CSR-related outcomes at the country level (e.g., SRI practice diffusion in a given financial market).

As a whole, our analysis suggests that a government mindful of the interactions produced by its CSR interventions can "orchestrate" its policies to maximize its influence on business actors (Abbott et al., 2015; 2017). In line with prior political studies (Henriksen & Ponte, 2018), we found that orchestration is relevant to making sense of the regulatory efforts of not only international organizations, NGOs or "weak" governments but also "strong" governments, such as the French government, which can and do engage in orchestration work; by regulating – in part – through a reliance on intermediary organizations (*delegated rowing*), or the creative capture and shaping of standards or labels (*microsteering*). While subjected to a path-dependency effect, this governmental orchestration work can be deployed by a cognizant government (Knudsen & Moon, 2017), which seeks to maximize the impact of its CSR interventions while keeping their costs down (that is, most of the rowing costs are covered by intermediaries). Accordingly, our results contribute to studies of orchestration (Abbott et al., 2015), as we show that orchestration can result from part-emerging and part-purposive interventions that together enhance the effects produced by the coexistence of distinct governmental CSR interventions within the same policy mix.

Regulating through Financial Markets: A New Space for Governmental CSR Interventions

Our third contribution is to study the governance of CSR in the context of financialized capitalism. Although scholars have mentioned the importance of considering how finance can shape CSR interventions (Marti & Scherer, 2016), and create boundaries for governmental CSR interventions (Scherer et al., 2016), financial markets are absent from prior conversations about government and CSR (e.g., Knudsen & Moon, 2017).

Our analysis brings financial markets back into the scope of governmental studies of CSR by showing how financial markets can become a relevant space for governmental CSR interventions, notably through the development of robust national SRI markets that pressure investors, as well as their investee companies, to adopt socially responsible behavior. Considering financial markets is crucial given their weight in national domestic policy making and the restrictions that may be imposed on governmental capacities to promote CSR (Scherer et al., 2016). However, even though Schneider and Scherer (2019) suggest that intermediaries shape CSR behavior through multiple mechanisms, they do not consider the specific role of financial market intermediaries.

Our analysis shows the value of recognizing the importance of crucial yet neglected categories of financial market intermediaries: State-owned, state-designed, and/or state-regulated banks, pension funds and/or financial intermediaries. In the French case, through delegated rowing, the government has actively reoriented a major state-regulated financial actor – the CDC – that has itself financially supported CSR and SRI rating agencies; and the purposive design of SRI-focused public pension funds has also created important peer pressure for SRI activities in the market. Consequently, delegated rowing within the financial markets prepared other mainstream private financial actors for SRI acceptance, which occurred through further regulatory steering and microsteering types of interventions. Hence, based on our analysis, we suggest that researchers pay more attention to financial intermediaries such as public pension funds and, in particular, sovereign wealth funds (Mehrpouya, 2015; Vasudeva, 2013) in future studies of CSR and governments.

Transferability, Boundary Conditions and Future Research

The French SRI context provided us with an ideal case through which to capture the renewal and interactions of governmental CSR interventions due to its rich legacy of legal frameworks and recent governmental initiatives. However, our focus on a unique empirical case invites us to also evaluate the transferability of our theoretical insights beyond the context of a given national system and its financial market. We therefore now discuss the context-related boundary conditions of our results, which could be further analyzed in future research.

Orchestrating Governmental CSR Interventions in other National Business Systems

A first boundary condition of our findings relates to the French national business system (NBS) (Jackson & Deeg, 2008; Morgan, 2017), within which governmental CSR interventions were deployed through financial markets. The French case of a "state-driven" NBS (Schmidt, 2016) can be contrasted with a case such as South Africa – which is an NBS characterized by lower state dominance, reflecting the fact that it is an "emergent LME (liberal market economy)" (Fainshmidt, Judge, Aguilera, & Smith, 2018: 317). As in the French context, the South African government broke ground in terms of SRI *regulatory steering* when, in 2011, a preamble was introduced in the revised pension fund regulation stipulating that pension funds should integrate ESG factors in their investment decision making if they are deemed to be financially material (Giamporcaro & Viviers, 2014). Previously, between 2006 and 2009, the state allowed the government employee pension funds (GEPF) – one of the biggest pension funds in the world – to commit to SRI by joining the Principles for Responsible Investment (PRI) initiative and leading the creation of a local "responsible investment code". The GEPF was followed by several large public and private pension funds and the largest asset managers in South Africa becoming PRI signatories (Giamporcaro, 2011). Meanwhile, the local stock exchange made it compulsory for companies that want to be listed to "comply or explain" with regard to the local CSR voluntary code known as the "King Code" (Giamporcaro & Viviers, 2014).

These first governmental CSR interventions triggered a layering mechanism: Since 2018, the South African financial regulatory body proposed reinforcing (*regulatory steering*) and specifying (*microsteering*) the exact type of ESG disclosure that should be required from pension funds, but initially, this would be accomplished through voluntary guidance (FSCA, 2019). In addition, the South African government released the fourth issue of the King voluntary CSR code in 2016, but faithful to its liberal mindset on companies' CSR disclosure, it did not announce any mandatory regulatory plan that would complement it.

This situation provides a unique opportunity to assess whether this combination of *regulatory steering* and a light form of *microsteering* – by enhancing the stringency of ESG reporting requirements on the investor side – can suffice to reinforce the *layering* mechanism and move towards *catalyzing*, as in the French case and its tradition of robust mandatory governmental interventions. More generally, future studies could unpack in greater detail which aspects of state-driven NBS interact with governmental CSR interventions to explain mainstream acceptance in SRI markets. Using our portfolio of modes of governmental CSR intervention and mechanisms of interactions across SRI markets embedded in distinct NBS contexts could refine our framework.

Orchestrating Governmental CSR Interventions beyond Financial Markets

Another important boundary condition of our study, relates to whether the repertoire of governmental CSR interventions and the related interaction mechanisms we advance, are relevant beyond the financial market context. To evaluate this second boundary condition, we discuss how our results can clarify some aspects of the orchestration of governmental CSR interventions in multinational corporations' (MNCs) extended supply chains, using the now well-studied case of the Rana Plaza disaster (Reinecke & Donaghey, 2015). To remedy the shocking fact that workers lost their lives due to squalid and unsafe working conditions, international and local unions, clothing brands, and international and local consumer activist movements cooperated to create the Bangladesh Accord on fire and building safety. Despite being a voluntary initiative, this accord is an especially "hard" form of "soft" law as it presents striking similarities with both *regulatory steering* – brand signatories can be legally pursued if they are in breach of their commitments – and *microsteering* – the accord spelled out in detail what needed to happen practically for worker safety to prevail. Consequently, this accord could be regarded as triggering – through private transnational governance – a *catalyzing* mechanism around workers' safety, especially when it was joined by a competing initiative known as "The Alliance". Both initiatives aimed to collaborate to "level the playing field" regarding worker safety rights in Bangladesh (Donaghey & Reinecke, 2018).

However, neither of these initiatives managed to involve governmental actors and local employers, and their long-term success remains uncertain as a result (Donaghey & Reinecke, 2018). In 2019, Bangladesh tried to take control of the accord's auditing capacities, but members of the accord questioned the government's capacity to deliver such services.[15] Our analysis suggests that, even though these unprecedented, private, collective efforts to regulate CSR in MNC supply chains were successful at creating a *catalyzing* mechanism, ultimately,

[15] Article first accessed in April 2019, on the International Labour Rights Forum website: https://laborrights.org/releases/government-bangladesh-not-ready-take-over-accord's-safety-work.

their impact remained limited by the quasi-absence of prior *layering* through multiple governmental CSR interventions at the local level. This illustration highlights that, even outside financial markets, successful catalyzing may still remain – as in our case – path-dependent due to prior layering. Thus, we would encourage future transnational governance studies to consider how local governments can be involved in the orchestration of transnational governance as the delegated rowing and microsteering efforts of coordinated market actors may be undermined or bounded by the absence of associated regulatory steering from local governments.

Globally Orchestrating Governmental CSR Interventions

A third important boundary condition of our analysis relates to our focus on the national, rather than the transnational or global, level of analysis to unpack how orchestration operates. Although our research captures transnational forces – through our focus on the globally embedded French financial market and our recognition of the role played by global factors (e.g., the importance of the COP 21 conference in the process of catalyzing) – we could not explore all of the transnational dynamics that interacted directly or indirectly with French governmental CSR interventions. However, the CSR and government literature has called for more attention to be paid to transnational forces in the study of governmental CSR interventions (Knudsen & Moon, 2017), and global governance scholars such as Botzem and Quack (2006) recognize the opportunity for governments to leverage national regulations to shape the transnational regulatory space. Future studies could build on these insights and our results to analyze how national and transnational regulative dynamics interact (see also Kourula et al., 2019: 1118). We notice, for instance, that several of our interviewees involved in the design of Article 173 were subsequently recruited to become members of the European Commission's High Level Expert Group (HLEG) on sustainable finance. Furthermore, these

European-level discussions about sustainable finance have recently called for the creation of a European label for green investment products that mimics, to a large extent, prior French microsteering. Investigating more closely how French and European regulatory dynamics interacted in this case could help clarify the broader reciprocal influences of national and international regulatory dynamics around SRI issues.

Ethical Implications of our Study

Overall, our typology of governmental CSR interventions and our two related mechanisms suggest that financial markets do not necessarily operate as a burden weighing on firms, or governments', capacity to deploy CSR policies, but could be leveraged for the sake of regulating and enhancing CSR behavior. As a result, our analysis provides a more nuanced picture of governmental interventions than their depiction as merely a "visible hand" of government restricting individuals' freedom, but rather as one addressing collective concerns and the "invisible hand" of the market (Knudsen & Moon, 2017), which has structured discussions of business ethics and CSR for many years (e.g., Freeman, 1984; Orlitzky, Schmidt & Rynes, 2003). Similar to Schneider and Scherer (2019) and, before them, Bowen (1953), our study regards governmental CSR interventions as also operating beyond the "voluntary / mandatory dichotomy" (Ruggie, 2018: 318). Microsteering, for instance, combines coercion and voluntarism and is aligned with the "libertarian paternalism" (Thaler & Sunstein, 2003: 175) ideology, which has been operationalized through various forms of "nudging" (Thaler & Sunstein, 2008). As with CSR in the 1950s (see Acquier, Gond, & Pasquero, 2011), this (neo)liberal reinvention of governmental intervention can be seen as a "third way" worth exploring, but it also raises important ethical concerns in relation to its possible capture by technocrats who are loosely concerned with citizens' needs and priorities.

Although our narrative shows that successive French governments have managed to nudge mainstream financial actors towards adopting SRI practices, the French social movement of *gilets jaunes* acts as a reminder of the obvious ethical limitations of purely top-down modes of political governance that can be misaligned with citizens' most pressing human and social needs.[16] Future studies could combine our framework with social movement theory (Davis, McAdam, Scott, & Zald, 2006) to further conceptualize the ethical antecedents of governmental CSR interventions and the bottom-up processes by which society's problems can be "listened to", "translated" and "interpreted" correctly (Valiorgue & Roulet, 2018) to design relevant governmental CSR regulations.

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[16] The *Gilet Jaunes* (literally: "yellow vests") movement is a social movement that emerged in France at the end of 2018, to protest against the French government's decision to increase fuel prices in order to abide by its environmental commitments. In 2019, the movement did not slow down, and the French government organized a national deliberation at the beginning of the year to discuss the social challenges encountered by French citizens. For further details, see, for example, the interview of Bruno Latour (in French) accessible at: https://www.franceinter.fr/emissions/le-7-9/le-7-9-18-janvier-2019.

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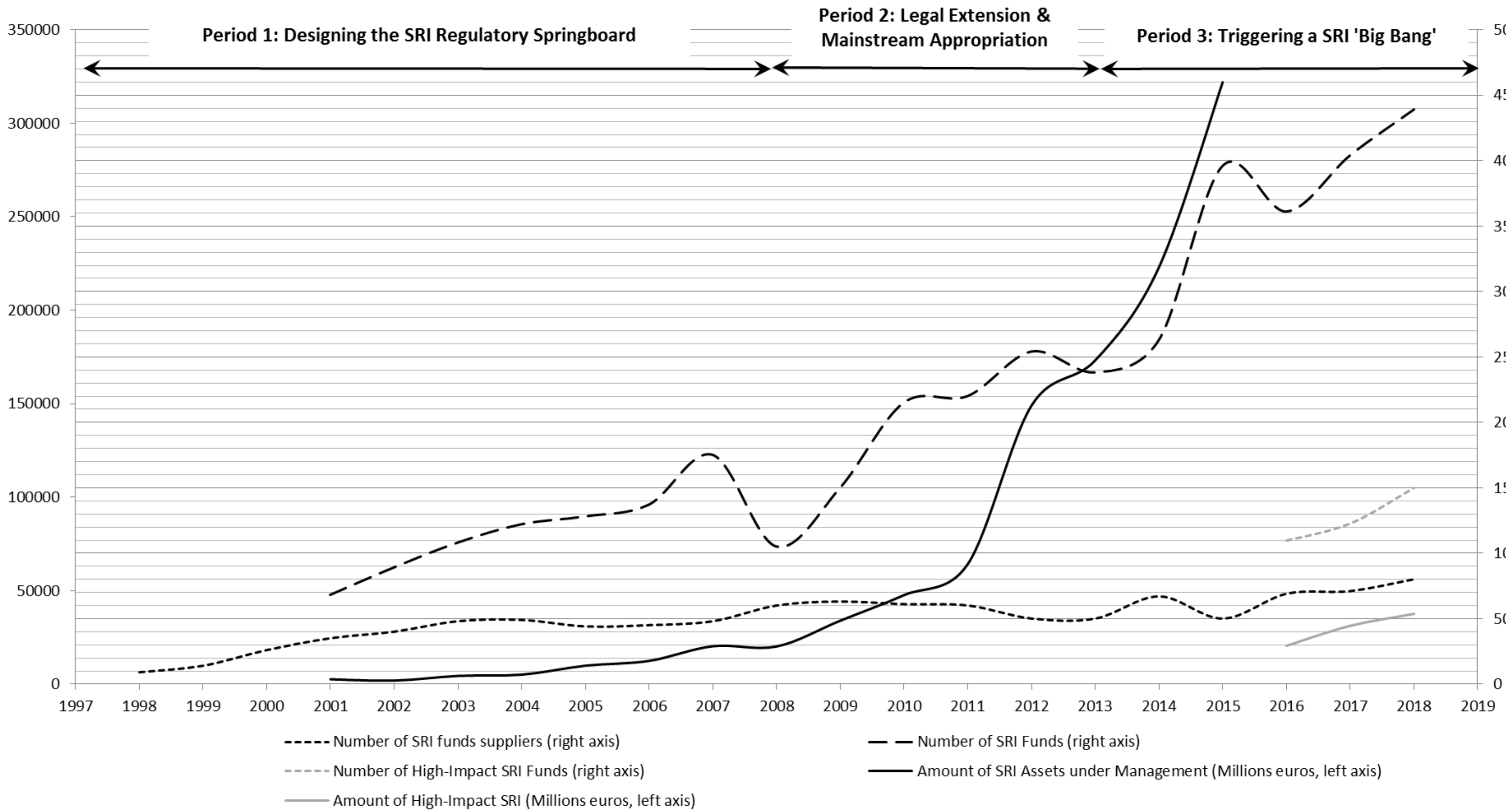
Figure 1. Overview of the Development of the French SRI Market (1997-2017)



Source: 1) 1997-2001: Muet et al. (2001) report, and secondary sources for the number of funds; and 2) 2003-2018: 2a) Novethic (2003 to 2015) – annual survey of SRI in France, and survey on different perimeters for the AuM. 2b) Since 2016, Novethic produces a more focused survey of "so-called" high-impact SRI funds, i.e. SRI funds that obey the strictest definition and standards of SRI practices. Please note: We do not report the SRI AuM for the years 2016-2018, because Novethic has changed its perimeters of SRI evaluation. We thank Novethic for their support in checking the figures used to build this graphic.

Figure 2. Mechanisms Explaining the Interactions of Governmental CSR Interventions

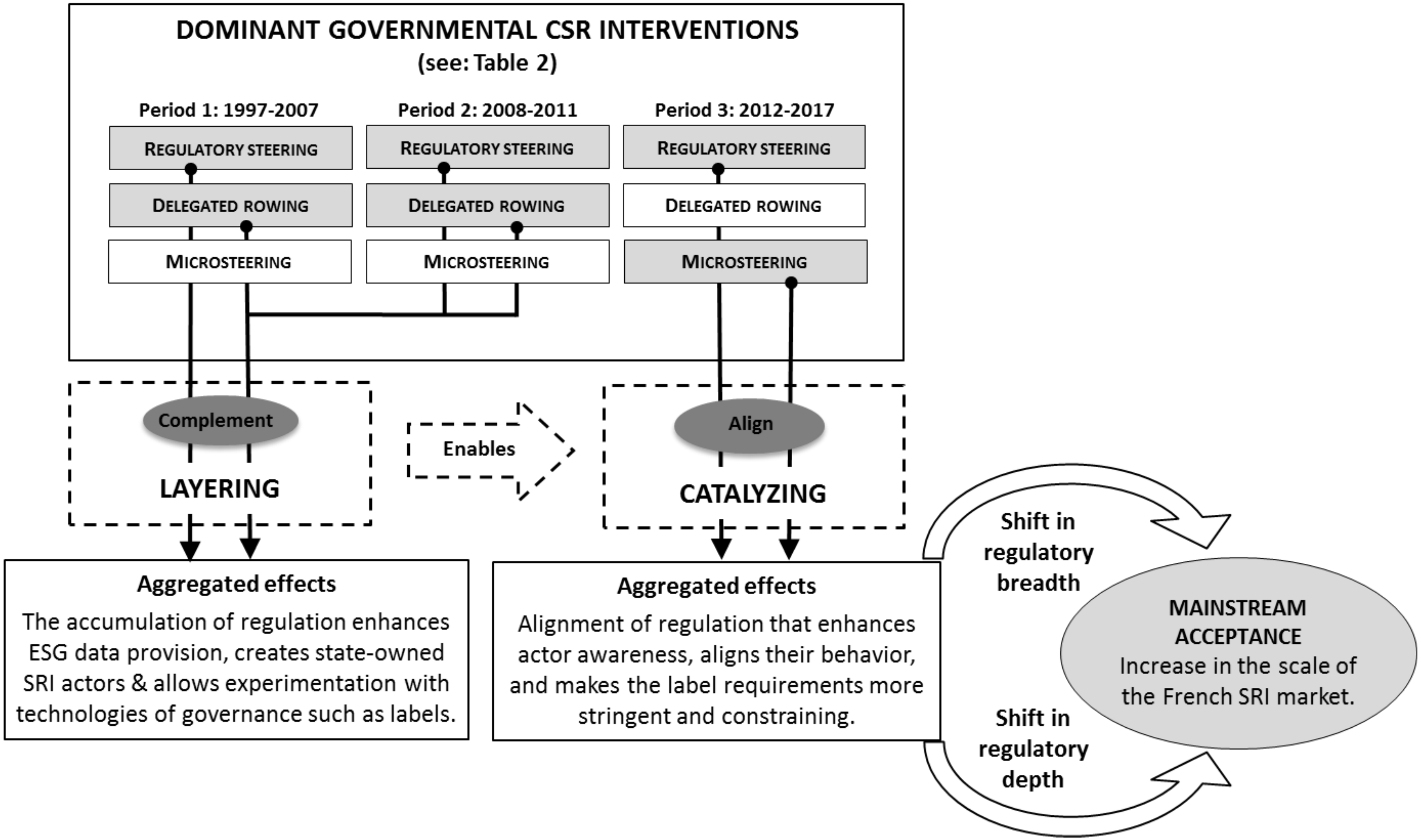


Table 1: Definition and Complementary Illustrations for the Three Modes of Governmental CSR Intervention

Modes of intervention	Mini-cases examples	Citations from asset managers and state-related authorities
REGULATORY STEERING Governmental intervention through the promulgation of laws and application decrees, by which states and ministries directly shape actor behavior; but without specifying predefined sanctions.	**Article 173-VI of the Green Growth Law** (law passed in August, 2015, and Application decree December, 2015). Article 173-VI extends the perimeter of Article 224 of the Grenelle II Environment Law (2014). Article 224 required asset managers to disclose how they take ESG issues into account in their annual report and on their website. Article173-VI, advanced this by requiring asset managers and asset owners, to now disclose their contribution to the green energy transition in addition to how their ESG investment policies are being implemented; in their annual report, and directly to their clients/beneficiaries.	*The 173-VI amendment was passed at 2am in the morning but we [MPs] did it right. […] We organized a conference at the Parliament with powerful financial actors already convinced of the relevance of what we were trying to impose. [...] The pressure was full steam [ahead] on the Minister of Finance to get an application decree that will operationalize the law without killing its spirit*. (Member of Parliament, interview 73) *What is happening with SRI is that it is designed incrementally. It was built step by step. The Article 173 cannot be fully understood without articulating it with what was done with the 225 and 224 of the Grenelle Environmental Law. What we put in the 176-VI; the base was already in the 224, we just extended it*. (High Public Servant, Ministry of Finance, interview 72) *Laws can be good because it puts everybody in the right order for moving in the same direction, but in the meantime it cannot be too constraining if it is to work. The Article 173-VI, it is aligning everybody, but it leaves asset managers to decide, based on where they are right now, what they should do*. (Head of Communication, Asset Manager 20, interview 51)
DELEGATED ROWING Governmental intervention that relies on the mobilization of state-led or state owned organisations to indirectly make market actors change their behavior. This can occur through the pooling of financial, political and/or institutional resources, to create or reform new state led or state owned organizations.	**The CDC** is the state-owned investment group, whose CEO is chosen by the French president in office. Over the 20-year period observed, CDC provided support to the newly created public retirement funds FRR and ERAFP. The CDC also financially supported the creation of Novethic, its subsidiary dedicated to providing SRI research, including an SRI label. In 2008, the Economic Modernisation Act affirmed the role of the CDC as a SRI investor. The same year, IRCANTEC, another public pension fund managed by CDC, also became a SRI investor.	*In terms of businesses, these are the public investors, such as CDC, FRR, ERAFP and now IRCANTEC, who have indirectly pushed for SRI, and make things progress the most*. (Head of SRI, Asset Manager 26, interview 63) *Public asset owners today do not operate like at the beginning [of the SRI market development]. They are becoming good at it. They can spot when something does not add-up in what we tell them. For some of them, this is basically [asking us] 300 questions on our SRI approaches*. (SRI Product Specialist, Asset Manager 11, interview 59) *When we assess our asset managers, we assess them on their abilities to customise their SRI approach to our needs. We are more interested in the way they can actually implement our SRI principles than in their general management approach.* (ESG Analysts, Asset Owner 2, interview 69)
MICROSTEERING Governmental intervention that involves the government's active mobilization of a soft 'technology of governance', such as labels, standards or awards, that micromanage actor behavior.	**The public SRI label**. In January, 2016, after 4 years of deliberation with public and private stakeholders, the public SRI label application decree was released by the Ministry of Finance, and the Novethic label launched in 2009 was discontinued. The public SRI label brand is the property of the French state, and is administered by the Ministry of Finance.	*The Novethic label was good, but for a label to be actually recognized by the general public, you need to have the state authorities directly involved. The State needs to be involved in the monitoring and the control, otherwise it is going to be difficult for an SRI label to truly exist. Time will tell if we were right*. (Head of SRI, Asset Manager 24, interview 61) *The public SRI label was really inspired by Novethic's work. In my view, there are two big wins with the SRI label. The fact that there is a recognition that SRI is a specific type of asset management style that cannot, for example, use financial derivative instruments. The second win is that there is a requirement to get asset managers to measure their ESG impact. I hope now that the governance of the public SRI label will work just fine*. (High Public Servant, Ministry of Environment, interview 71)

Table 2. Overview of Governmental CSR interventions on the French SRI market: Effects and Mechanisms (1997-2017)*

Modes of governmental CSR intervention		Period 1: Designing the French SRI regulatory springboard (1997-2007)	Period 2: Regulatory extension and mainstream appropriation (2008-2011)	Period 3: Triggering a SRI 'big-bang' through regulation (2012-2017)
Regulatory Steering	Main actions	• Law on voluntary employee savings requires AM disclosure of E&S information • NRE law requires E&S disclosure for listed companies (2001) • Creation of a public pension fund (FRR) with E&S disclosure requirements, and creation of the ERAPF	• Economic Modernisation Act affirms the role of CDC as a 'long-term investor' • IRCANTEC public pension scheme is to be managed by the CDC • Grenelle II law 2010 and Application Decrees of Articles 224 & 225 of the Grenelle II Law (2012)	• MoE conference and 'roadmap' outlining that – "a public SRI label" will be developed and follow-up white paper suggesting that this label can help finance the 'ecological transition' • Green Growth Law Articles 173-VI & 173-IV are introduced (2015)
	Effects	• Creation of a 'voluntary employees savings' market with trade union involvement • Trade union involvement in ERAPF governance • French MNCs to report on ESG, which supports the creation of a market for CSR ratings	• Article 224 pushes all French AMs to disclose in their annual report, and on their website: (a) their strategy for ESG criteria integration and (b) how they exercise their voting rights • Article 225 extends the obligation to report on E&S issues to unlisted companies	• SRI label and TEEC label supported respectively by MoE and MoF • 173-VI requires 840 French AOs to report on their ESG activities, particularly associated with climate change; 173-IV extends this and specifies reporting about ESG issues for listed companies
Delegated Rowing	Main actions	• CDC invests in Arese and then Vigeo • CDC creates its subsidiary Novethic • FRR and ERAFP develop their SRI activity	• IRCANTEC adopts an SRI approach for all assets classes • ERAPF and FRR develop internal SRI competencies and widen SRI mandates (more asset classes; engagement)	• FRR, IRCANTEC, ERAFP and CDC commit to disclose their carbon footprint by December, 2015
	Effects	• First CSR rating agency supports the emergence of an SRI fund market • Novethic provides SRI-related market data • AMs and CSR rating agencies develop SRI competencies to attract AOs	• Public AOs push SRI market growth by offering sizeable mandates • AMs and CSR rating agencies continue to professionalize to attract AOs	• Enrolment of leading AMs and private AOs around carbon disclosure and the fight against climate change • SRI AMs and AOs make a commitment to support the implementation of Article 173-VI
Microsteering	Main actions	• Creation of the CIES label by trade unions, stipulating that AMs should have internal SRI resources, and use diversified ESG information in their investment decision-making	• Creation of the Novethic SRI label that requires full ESG disclosure on portfolio holdings, and a cap on derivatives use • Design of Novethic's Green label	• The public SRI label imposes a 20% exclusion rate; and emergence of ESG impact reporting • The TEEC label excludes nuclear energy and promotes 'Green Growth'
	Effects	• AMs hire internal ESG analysts and diversify sources of ESG information in use	• 92 funds (out of 121 applicants) obtained the Novethic SRI label • AMs implement the label requirements	• The two governmental labels (TEEC and SRI) are launched, and the Novethic SRI label and Green Label are discontinued
Interventions producing the most crucial effects		**Regulatory Steering & Delegated Rowing**		**Microsteering & Regulatory Steering**
Mechanisms		**LAYERING MECHANISM**		**CATALYZING MECHANISM**

* *Abbreviations: AFG: Association française de gestion financière; AMs: asset managers; AOs: asset owners; AuM: assets under management; CDC: Caisse des dépôts et consignations; CIES: Comité intersyndical de l'épargne salariale; CSR: corporate social responsibility; ERAPF: Établissement de la retraite additionnelle pour la fonction publique, E&S: environmental and social; ESG: environmental, social and governance; FRR: fonds de réserve des retraites; MoE: Ministry of Environnment; MoF: Ministry of Finance; NRE: Nouvelle régulation économique; SRI: Socially responsible investment; TEEC: The energy and ecological transition for climate; UCIT: Undertakings for collective investments in transferable securities.* ***Color code****: The cells corresponding to the most crucial effects in the process of SRI market development are in grey.*

Appendix A – Details of Data Collection

Data source	Use in analysis
Historical and secondary data	
1. Newspaper articles: Systematic collection (through the Nexis database), of more than 400 newspaper articles related to the French SRI market for the period 1997 to 2017. Including all articles mentioning 'socially responsible investment', 'ethical investment', 'sustainable investment', or the SRI, RI (responsible investment), ESG, acronyms, in all major French newspapers (*Le Monde; Le Monde Diplomatique*; *Le Figaro*; *Libération*; *Le Point*; *L'Express*); as well as in specialised economic press (*Les Echos*; *La Tribune*). ***2. Quantified information about the French SRI market:*** 28 Novethic reports from 2002 to 2019: ➢ 22 'Novethic Indicators'; 2 'Novethic Barometers'; ➢ 1 'Highlights of the French SRI market'; ➢ 2 'Figures of RI in France' ➢ 2 'Indicators on High Impact SRI'; ➢ Other timely Novethic reports on specific asset classes (e.g., bonds), financial products (e.g.green funds), and services providers (CSR rating agencies), provided complementary ESG performance indicators. 8 EuroSIF bi-annual studies (from 2003 to 2018), including all sections on French SRI and key figures. Data provided by the magazine: *Alternatives Economiques* (provided in two special editions of "The Ethical Funds Guide" 2001 & 2003). ***3. Legal texts*** Full set of legal texts related to SRI, ESG and CSR in France for the period 1997 to 2017, publicly available on the website *Legifrance*. Governmental reports about the development of SRI in France: ➢ Muet, Bayard, & Pannier-Runacher (2002) *Rapport d'Enquête sur la Finance Socialement Responsable et la Finance Solidaire*. Inspection Générale des Finances. N°2001-M-044–01. Ministère de l'Economie et des Finances; ➢ Dron (2013) White Paper on *Financing Ecological Transition*; ➢ Brovelli, Drago, & Molinié (2013) report, *Organizational Responsibility and Performance*. *Twenty Proposals to Reinforce CSR Approaches*. Ministry of Environment public documentation: *Roadmap for the Ecological Transition* (2012); *Operational Dashboard of the Roadmap for the Ecological Transition* (2014 & 2015); and Ministries of Finance and Environment (2015) public documentation relating to the *Public SRI Label and the TEEC label SRI Benchmark*	• To reconstruct the evolution of the French SRI market through key metrics (Figure 1), and identify key periods of market development. • To construct and validate a complete, detailed chronology of the key events in the French SRI industry between 1997 and 2017. • Identify and build a chronology of all governmental CSR interventions between 1997 and 2017 (Table 2). • Analyze the main changes and impacts related to governmental CSR interventions. • Triangulate empirical evidence from interviews about the evolution and impact of governmental interventions.

4. Reports & press releases from professional associations, thinktanks & consultants Think tank and consultant reports evaluating the impact of SRI-related laws: 2 business association reports (AFG & FIR); 3 thinktank reports (Novethic Report 2016; 2017; 2018); and 2 NGO (WWF) reports on Article 173-VI implementation. Professional business association reports on SRI: French Market Authorities (2015); European Fund and Asset Management Association (2011; 2016). State related-pension funds SRI press releases, reports and publications: FRR (31 press releases 2005-2017; 5 reports 2009-2017); ERAFP (57 press releases 2004-2017; 21 reports 2005-2017); IRCANTEC (14 publications 2017-2015); and CDC (9 reports 2008-2017). Trade union and above stakeholder press releases, declarations and open letters relating to the CIES label, Novethic labels, and public SRI label (2001-2017). ***5. Prior academic & professional accounts of the French SRI market*** 24 research articles, PhD dissertations and books, on the French SRI market covering 1997 to 2019, published in French or English-speaking academic journals. 10 articles and books published by French SRI practitioners (covering 2001-2018).	• Analyse the main changes and impacts related to governmental CSR interventions. • Triangulate empirical evidence from interviews about the evolution and impact of governmental CSR interventions.
Interviews	
78 semi-structured interviews with key actors involved in the development of the French SRI market . Interviews lasted between 30 minutes and 7 hours (a full working day). Please see Appendix B for more details about our interviewees. The interview campaign covered the whole period of the study: ➢ 48 interviews conducted between 2000 and 2012 (covering 1997-2011; and retrospective interviews in 2000-2001 for the early stage of SRI emergence); ➢ 30 interviews conducted between 2012 and 2017 (covering 2012-2017).	• First round of abductive data coding to identify whether ‘steering’ and ‘rowing’ were relevant conceptual categories to interpret governmental CSR interventions deployed over the 20 year research period. • Second round of inductive interview data coding to document and refine three types of governmental CSR interventions: ‘Regulatory steering’, ‘delegated rowing’, and ‘microsteering’. • Third round of abductive coding of both sets of interviews to validate the emerging mechanisms of ‘layering’ and ‘catalyzing’. • Triangulation with secondary data to validate the 20 year chronology, the governmental CSR intervention typologies and the identified social mechanisms.
Participant observation	
The first author’s work at an organization monitoring the development of SRI in France between 2002 and 2008, which included frequent face-to-face meetings with asset managers (approximately 15 one-hour meetings per year, amounting to more than 100 hours) First author’s participation in several key discussions related to the design and structure of French pension funds between 2002 and 2007 (30 hours). Authors’ participation in major annual, national (French) and international RI-related events: French Asset Management Association events; French Social Investment Forum (2001-2017); *Novethic* events (2002-2007); French asset manager workshops (2002-2007); *Triple Bottom Line* conferences (2004-2005); UN-PRI annual conferences (2013-2018).	• To develop a deep knowledge of French SRI developments and build long-term relationships with key actors through informal conversations. • To identify and document the role played by the French government and governmental agencies (e.g., CDC) in the development of the French SRI market. • To sample our interviewees and obtain access to key ‘insiders’ who were directly involved in the production of governmental CSR interventions in France.

Appendix B – List of interviewees

1997-2011 (Layering) – 48 interviews with 32 organizations

Nb.	Organization	Title (generic)	Length
Asset Managers			
1	ABF (AM 1)	Fund manager	1h00
2	AG2R (AM 2)	SRI Analyst	2h10
3	BP (AM 3)	Fund Manager	1h00
4	BFT Gestion (AM 4)	Fund Manager	1h00
5	BNP PAM (AM 5)	Fund Manager	1h00
6	BNP PAM (AM 5)	Head of SRI	2h00
7	CAAM (AM 6)	Fund Manager	2h00
8	Caisses d'Épargne (AM 7)	Fund Manager	30mn
9	CLAM (AM 8)	Fund Manager	1h00
10	Crédit Coopératif (AM 9)	Fund Manager	1h00
11	Credit Cooperatif (AM 9)	Fund Manager	1h00
12	Groupama (AM 10)	Fund Manager	1h10
13	HSBC (AM 11)	Fund Manager	2h00
14	HSBC (AM 11)	Fund Manager	2h00
15	IDEAM (AM 12)	Bond Fund Manager	1h00
16	IDEAM (AM 12)	Fund Manager	1h00
17	IDEAM (AM 12)	Head of SRI	3h00
18	IDEAM (AM 12)	SRI Analyst	2h00
19	IONIS (AM 13)	SRI Analyst	1h30
20	Macif Gestion (AM 14)	Fund Manager & CEO	2h30
21	Meeschaert (AM 15)	Fund Manager	2h00
22	Meeschaert (AM 15)	SRI Analyst	2h30
23	Prado Epargne (AM 16)	SRI Analyst	40mn
24	Sarasin Expertise (AM 17)	Fund Manager	1h00
25	Sogeposte (AM 18)	Fund Manager	1h00
26	Sogeposte (AM 18)	SRI Analyst	1h00
27	UBS (AM 19)	Fund Manager	40mn
Public bodies and related (e.g., state-owned rating agency)			
28	CDC & Novethic	CEO	40mn
29	CDC	Technical Expert	30mn
30	Arese	CEO	1h00
31	Arese (now Vigeo), at the time owned 50% by CDC	ESG Analyst	1h00
32	Arese (now Vigeo) at the time owned 50% by CDC	ESG Analyst	1h00
33	Arese (now Vigeo) at the time owned 50% by CDC	ESG Analyst	1h00
34	Arese (now Vigeo) at the time owned 50% by CDC	Head of Research	7h00
35	Vigeo (former Arese)	ESG Analyst	1h30
36	Vigeo (former Arese)	ESG Analyst	1h30
37	Vigeo (former Arese)	ESG Analyst	1h30
38	Vigeo (former Arese)	ESG Analyst	1h30
Other stakeholders (e.g., consultants, professional bodies)			
39	French Bank (CAC 40)	Head of CSR	1h00
40	CIC-Securities (Broker)	Head of SRI	2h30
41	Consultant (French)	CSR expert	1h00
42	Consultant (US-based)	CSR expert	45mn
43	AFG-ASSFI (AM prof. association)	Director	1h00
44	Core Ratings	ESG Analyst	2h00
45	CFIE (shareholder activist)	Director	2h00
46	Insurance Company	Head CSR	1h00
47	Standard and Poor's	Financial Analyst	30min
48	United-Nations	Former Arese & Novethic expert	1h00

2012-2017 (Catalyzing) – 30 interviews with 22 organizations

Nb.	Organization	Title (generic)	Length
Asset Managers			
49	AG2R (AM 2)	Head of SRI	1h00
50	AMUNDI (AM 20)	Head of ESG & CG	1h30
51	AMUNDI (AM 20)	Head of Communication	1h00
52	AXA IM (AM 21)	Head of CG	40mn
53	AXA IM (AM 21)	Head of SRI	1h00
54	BNP Paribas (AM 5)	Head of ESG Engagement	1h30
55	BNP Paribas (AM 5)	Head of SRI	1h30
56	ECOFI Invest. (AM 22)	Head of R&D	1h00
57	Fédéral Finance (AM 23)	Head of SRI	40mn
58	HSBC (AM 11)	Head of ESG	1h10
59	HSBC (AM 11)	SRI Specialist	2h00
60	Mirova (AM 24)	Head of SRI	55mn
61	Mirova (AM 24)	Head of SRI	1h20mn
62	Sycomore (AM 25)	Head of SRI	55mn
63	Edmond de Rothschild (AM 26)	Head of SRI	1h00
Public bodies and related (e.g., public asset owners)			
64	CDC	Head of SRI	30mn
65	Financial Market Authorities (AMF)	AM team (5 interviewees)	1h00
66	FRR (AO 1)	Head of RI	1h00
67	FRR (AO 1)	Head of RI	1h40
68	FRR (AO 1)	Head of RI	55mn
69	ERAFP (AO 2)	ESG Analysts (2 interviewees)	1h40
70	IRCANTEC (AO 3)	Head of RI	1h20
71	Ministry of Environment	High Level Public Servant	2h00
72	Ministry of Finance	High Level Public Servant	1h40
73	Government	Member of Parliament	30mn
74	Novethic	Employee	30mn
75	Novethic	CEO	1h00
Other stakeholders (e.g., academics, professional bodies)			
76	Academic	Professor	30 min
77	French Social Investment Forum	Staff member	1h30
78	Trade Union	Representative of the CIES	1h50

TOTAL: 78 interviews

KEY:
AM: Asset Managers
AO: Asset Owners
CG: Corporate Governance
ESG: Environment, Social and Governance
SRI: Socially Responsible Investment
RI: Responsible Investment

CITATION:
The bold numbers in the left column are the ones used when we cite interviewees in the manuscript.

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