

G7 Alliance on Resource Efficiency

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The French experience with extra-financial reporting

**French Ministry for the Ecological and Inclusive Transition
& Directorate-General of the Treasury, Ministry of Economy
and Finance**

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Photo : A. Bouissou/Terra



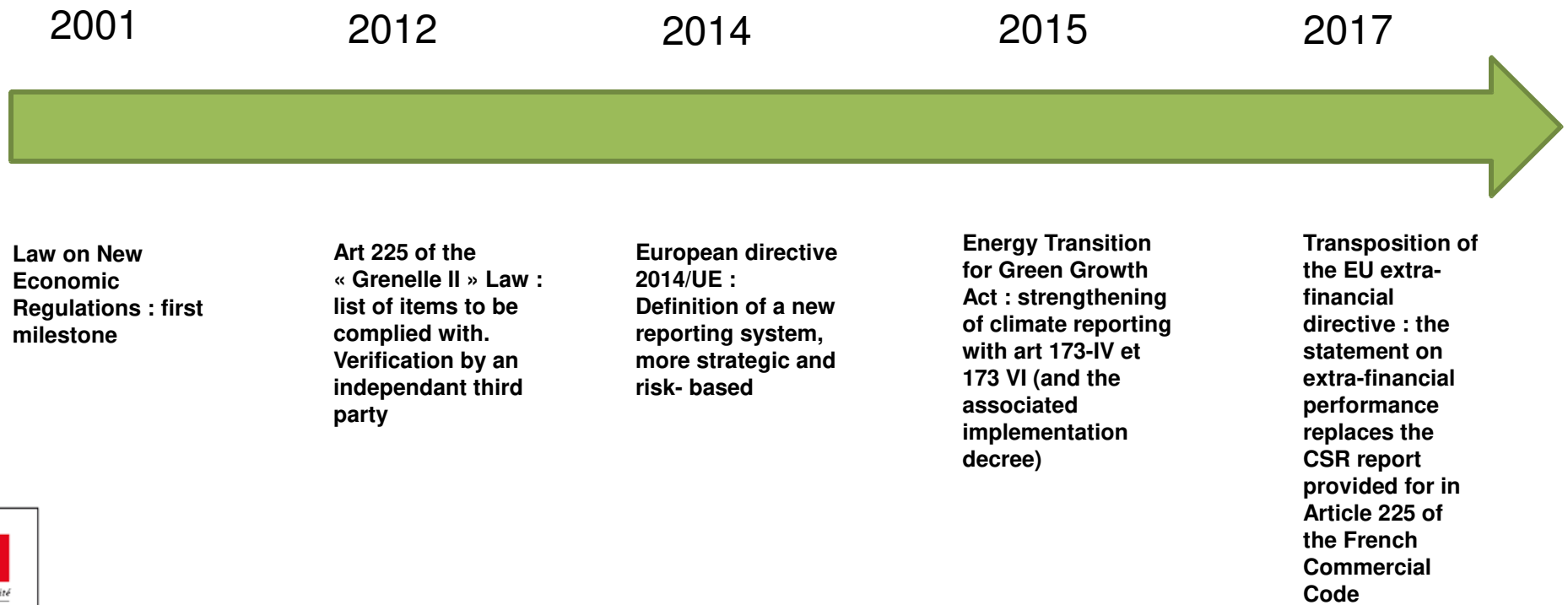
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Regulatory framework

Evolution of the French regulation – What are the milestones?



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Evolution of the French regulation – What are the milestones?

- **2001 : French Law on New Economic Regulations (NRE):** publication of a management report on 19 sections regarding social and environmental related information
- **2012 : « Grenelle de l'environnement » : 2010 Law and its 2012 implementation decree (Art. 225) – Extension of the scope of reporting**
 - all listed companies and some non-listed companies
 - 42 social and environmental items
 - accuracy and reliability of data: third-party verification
- **2015 : Energy Transition for Green Growth Act (articles 173 et 70) - Strengthening climate reporting and circular economy requirements for businesses and investors.**

Regulatory framework

Evolution of the French regulation – What are the milestones?

2017 : Transposition of the EU directive (2014) into French law : new framework for publishing extra-financial information for large companies, codified in articles L.225-102 and R 225-105 of the French commercial code :

- A new extra-financial reporting statement is required
- The « materiality » concept is emphasized, for businesses and their stakeholders. Material topics and KPIs must be addressed. The NFRS has been designed as a steering tool.



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Scope of the regulation – which companies are involved?

- Provisions related to extra-financial information disclosures involve two categories of companies, of which average headcount exceeds 500 employees :
 - Listed companies : turnover > €40m **or** total balance sheet > €20m
 - Non-listed companies : turnover **or** total balance sheet > €100m



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What is required? General disclosures

- A materiality and risk-based approach is required, rather than a “box-ticking” approach: the information is provided only if it is relevant with regard to the company’s main risks and identified policies,
- The list of information points related to sustainable resources management can also represent an entry point for a risk analysis;
- The company’s business model is required.



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What is required? Environmental disclosures (incl. circular economy)

- The information to be published is :
 - ✓ Consequences of the company's activity and of the use of its goods and services on climate change ;
 - ✓ Company's commitments regarding the circular economy :
 - Prevention and waste management (reuse, recycling...),
 - Actions against food waste,
 - Sustainable use of resources : water consumption and supply, raw materials consumption and efficiency improvement in their use, measures to improve energy efficiency, land use etc..



Regulatory framework

Extra-financial reporting for financial firms

In 2015, France implemented a pioneering regulation to take into account ESG risks and the fight against climate change in investment decisions.

- **Article 173-VI of the Energy Transition for Green Growth Act** requires **institutional investors** and **asset managers** to disclose information related to:
 1. their consideration of ESG criteria in their investment policies and strategy
 2. the means used to contribute to the energy and ecological transition
 3. the financial risks associated to such transition
- This article inspired the work of the FSB **Task-force on Climate-related Financial Disclosures (TCFD)**: enhanced consideration and transparency towards climate-related financial risks.



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Upcoming challenges

- Climate reporting has been enhanced over the last few years, thanks to the COP 21 momentum. The "sustainable management of resources and circular economy" reporting must be enhanced in the same way, in order to achieve greater ownership by economic players (e.g. through the development of relevant methodologies).
- Today, resource management reporting and strategies are implemented by large companies. This implementation must also lead the way for SMEs.
- Generally, extra-financial reporting must reach a status comparable to financial information.

Merci



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