

ESG regulation in France

What is the current ESG legislation landscape?

France is an EU member and committed to EU's legislation such as the EU Taxonomy, The European Green Deal, the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD).

In France, ESG (Environment, Social and Governance) is commonly referred to as RSE (Responsabilité Sociétale des Entreprises) and incorporates ISR (Investissement Socialement Responsable).

In the past two decades, France has been enforcing a set of reporting legislation that deal with RSE issues. Most recently, the **Article 29** of the **Loi Energie Climat of 2019** has been shaping the French ESG landscape even further:

- Enforced in 2022, Article 29 applies to all investments of more than €500 million. As an extension of the SFDR, investors now must publish quantified objectives for the reduction of greenhouse gas emission and the preservation of biodiversity and must take the ESG criteria into consideration.

Other relevant texts aiming to reinforce sustainability reporting obligations include:

- Loi Pacte on social and governance obligations.
- Loi Grenelle II articles 224 and 225 reinforce the obligation for companies and investment funds to disclose how they take sustainable development issues into account within their activities.

- > Loi relative aux nouvelles régulations économiques (NRE): Listed companies are also obligated to disclose the environmental sustainability impact of their activities or of the companies they invest.
- > Loi relative à la transition énergétique pour la croissance verte (2015).

Reporting rules are also mentioned in the French Commercial Code (Code de commerce) which requires non-listed French companies with over 500 employees and a turnover of over 100 million euros to provide an independently verified report of a non-financial performance statement (déclaration de performance extra-financière DPEF).

The French Labour Law sets out specific rules regarding gender diversity and states, for example, that companies of at least 20 employees are required to employ disabled persons in the proportion of 6% of their total workforce.

France also has two specific labels for sustainable funds that set out rules and regulations. To attract these labels, funds need to address specific ESG criterion, including energy certificates and governance goals.

- > **Label ISR** carried out by the Ministry of Finance identifies sustainable investments.
- > **Label Greenfin** for green financing (formerly Label TEEC) supported by the Ministry of Environment. This label excludes nuclear and fossil fuel investment funds.

What changes are in the pipeline?

The French stock market regulator AMF (Autorité des Marchés Financiers) has recently called again for the creation of a Europe-wide regulation of ESG data providers, ratings and other services.

With the intensification of the legal landscape, France sees the necessity to provide instruments for the different economic actors to report on non-financial criteria. In 2021, the Ministry of Economy & Finance launched the Platform Impact to help French companies define their ESG performance and publish their data.

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