



2° Investing regulation in France Article 48 of the French Energy Transition Law

The following is a brief summary of the 2° investing related amendments of Article 48 of the Energy Transition Law in France. The amendments described below were passed by the French parliament and will now be debated in the French Senate, with good prospects of success. This is a brief English translation of the key components. The 2° Investing Initiative will not be held liable for any errors or omissions in the translation.¹

The amendments voted yesterday night by the French National Assembly are the following:

1. Listed companies shall disclose, in the annual report subject to the vote of the shareholders:
 - financial risks related to the effects of climate change;
 - measures adopted by the company to reduce those risks, by implementing a low-carbon strategy in every component of their activities.

The annual report shall include, in addition to the reporting on social and environmental consequences of the company's activity (already in the law):

- the consequences on climate change of the company's activities, including the use of goods and services produced

This seems to imply that listed companies will have to report on their Scope 3 emissions. As for other amendments, the details on how to implement this provision will be defined in a decree. The 2° Investing Initiative will keep on advising on the writing of those provisions.

2. Banks and credit providers shall disclose, in their mandatory risk report, on the risks evidenced by the stress-tests that are regularly implemented.

This provision is not specific to climate risks, but the following complements it:

The government will submit a report to Parliament on the implementation of a stress-test scenario representing the risks associated with climate change, at the latest on December 31, 2016. This applies to all categories of risk already listed in the risk report (credit risk, counterpart risk, residual risk, risks induced by securitization, market risks, interest rates, operational risks, liquidity risk, excessive leverage).

3. Institutional investors (insurance companies, public institutions, public pension

¹ You can find the original text here: <http://www.assemblee-nationale.fr/14/ta-pdf/2736-p.pdf> (see article 48, pages 120 and following, points 26, 30, 36, 37).



funds) shall include in their annual report, and make available to their beneficiaries, information on how their investment decision-making process takes social, environmental and governance criteria into consideration, and the means implemented to contribute to the financing of the ecological and energy transition.

This includes:

- risks induced by climate change, including the GHG emissions associated with assets owned;
- the contribution to the international goal of limiting climate change;
- the contribution to the realisation of the ecological and energy transition.

The contribution will be measured with regards to indicative targets set by institutional investors taking into account the nature of their activities and investments, in a way that is consistent with the national low-carbon strategy provided by the Code de l'Environnement. If targets are not met, the reasons need to be explained.

The wording of the final amendments may still evolve, as the law needs to be voted by the Senate. However, as of this morning, the French government officially supports the amendments and their substance should not be changed during the last phases of the legislative process. We will keep you updated when the final text is adopted.