NOVEMBER 2019

REPORT ON THE SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY OF LISTED COMPANIES

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EXECUTIVE SUMMARY

BACKGROUND

In recent months, many companies have increased their commitment to sustainable development, as evidenced by the "Fashion Pact" signed by 32 companies in the fashion and luxury goods industry during the G7 in August 2019 and the "One Planet Business for Biodiversity" and "Business Ambition for 1.5°C" initiatives presented at the Climate Action Summit organised by the United Nations in September 2019.

The European Commission's Action Plan for Sustainable Finance,[1] published in March 2018 and broken down into ten concrete actions, has generated strong political impetus and is helping to fundamentally transform the approach of financial players to environmental, social and governance issues. This vision places Europe at the forefront of the global fight against climate change and the implementation of the Paris Agreement. The AMF has made this one of the key elements of its strategy. In this respect, in November 2018, the AMF published its roadmap on sustainable finance,[2] highlighting the role of the regulator in its development, both to support market participants in promoting best practices and to make sure that conditions of trust are preserved.

APPROACH ADOPTED BY THE AMF FOR THE 4TH EDITION OF ITS REPORT ON THE SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY OF COMPANIES

This report therefore forms part of a particularly rich environment, but also echoes the content of the three reports previously published by the AMF on corporate social, societal and environmental responsibility in 2010, 2013 and 2016. The underlying trend towards better consideration of environmental and social issues is confirmed, and the regulatory environment has changed significantly insofar as Executive Order 2017-1180 of 19 July 2017, transposing into law Directive 2014/95/EU of 22 October 2014, introduced the requirement for companies of a certain size to publish a non-financial statement (NFS). This new approach marks an important milestone in the French non-financial reporting landscape insofar as it is based on the concepts of "materiality" and "relevance of information" for stakeholders and the companies themselves, whereas the old regulatory provisions (known as Grenelle 2) placed the emphasis on completeness of the information.

The publication of registration documents for the 2018 financial year was therefore marked by the inclusion of an NFS in the management report. The preparation of this new non-financial reporting format for this first financial year raised several questions among issuers, in particular about the implementation of the principle of materiality and the conciseness of the NFS. Similarly, ensuring the overall consistency of the NFS by providing a perspective on the various pillars[3] of the non-financial statement involves going beyond the logic of regulatory compliance alone and combining it with a more strategic approach.

In view of this specific context, the publication by the AMF of the 4th edition of its report on the social, societal and environmental responsibility of companies fulfils three objectives:

- **To support French issuers** in this transition to a new regulatory framework by sharing encouraging practices for implementing the non-financial statement;
- **To limit the production of new policies** and enhance existing ones in terms of extra-financial reporting, both in France and across Europe;
- **To answer the questions** from the market on the linkage between the texts applicable in France.

While the report contains some avenues of discussion for the future, its main objective is therefore to provide an overview of current regulations and practices.

[1] See the following link

[2] See the following link

[3] Namely the business model, material risks, policies implemented and performance indicators used to monitor these policies.

OBSERVATIONS BASED ON A SAMPLE OF FRENCH COMPANIES

Chapter 2 on the regulatory background and chapter 3 on good practices observed in a sample of French companies are intended specifically to meet these three objectives. With regard to chapter 3, a decision was made to focus the study on 24 issuers listed on the SBF 120 index (see Annex 1) that published an integrated report in 2018. To illustrate the observations, extracts from the relevant registration documents have been included in this report.

The conclusions of this study show that 2018 was indeed a year of transition between two different regulatory frameworks. In this regard, **four of the 12 key issues identified** (see page 7) should be given particular attention by issuers in 2020:

- Firstly, 58% of the companies in the sample have a section dedicated to the NFS in their 2018 registration document that is longer than the section dedicated to CSR information in their 2017 registration document. In order to comply fully with the spirit of the non-financial statement, **it is important to support the conciseness of the non-financial statement by limiting it to those risks and opportunities that the company considers material** (ISSUE 2). The use of materials other than the NFS, especially digital materials, may be considered to meet the specific requirements of certain stakeholders.
- Regarding the scope of reporting, the AMF draws attention to the obligation **to comply, as a minimum, with the legal provisions of Article L. 225-102-1 of the Commercial Code, namely the publication of a non-financial statement on a consolidated basis**. However, 83% of the issuers in the sample expressly state that the reporting scope varies according to several factors (the entities covered, the topic covered, etc.). In cases where part of the consolidated scope cannot be covered, it must be clearly justified (ISSUE 4).
- Given the aim of making the non-financial statement more concise, **it seems essential to choose relevant and clearly defined key performance indicators** (ISSUE 10) **and to justify this choice**. The practice of publishing an exhaustive list of quantitative indicators without explaining them does not allow this data to be considered in relation to the risks and policies set out elsewhere in the non-financial statement. As the European Commission recommends, it seems that attaching clear, precise and measurable objectives to policies would be an effective way of managing and monitoring trends in the key performance indicators (ISSUE 9). In practice, less than 50% of the issuers studied attach objectives to their risk management policies. Developing robust methodologies to improve the reliability of the underlying non-financial performance indicators should gradually help to change this practice.
- The last key issue arising from this analysis concerns the **overall consistency of the non-financial statement** (ISSUE 11) and encapsulates the challenge of the approach resulting from the non-financial statement. Overall consistency between the business model, the risks identified, the policies implemented and the performance indicators should be improved by using consistent terminology and providing a reader-friendly mapping between each category of information, such as a summary table.

As the body of non-financial reporting texts is relatively dense, the AMF has endeavoured to highlight the background documentation that issuers can refer to for each issue, namely AMF Recommendation DOC-2016-13 on social, societal and environmental responsibility, the European Commission's guidelines on non-financial reporting and the recommendations issued by the European Securities and Markets Authority (ESMA).

OBSERVATIONS BASED ON A SAMPLE OF EUROPEAN COMPANIES

The fourth chapter of the report provides key avenues of discussion at the European level. The purpose of this chapter is to **compare the information available from several European issuers in the same sector,** in this case six companies in the **oil sector,**[4] **to see to what extent European Directive 2014/95/EU has led to the convergence of practices at the European level**.

While a good level of comparability between companies in the same sector is to be expected, **key performance indicators are generally difficult to compare from one company to another**. This is due to the fact that the

[4] BP, Eni, OMV, Repsol, Shell and Total

methodologies used and the choices made in the use of these methodologies (emission factor, calculation method, etc.) differ. Similarly, indicators are not always accompanied by sufficient explanations to allow the quality and scope of the information to be assessed.

PERSPECTIVES

Depending on the Member State, it is clear that **the transposition of Directive 2014/95/EU** leads to more or less stringent reporting requirements for national companies, which **makes it difficult for stakeholders to compare non-financial information at a European level**.

More broadly, the difficulties encountered by issuers in preparing their non-financial reporting relate to the diversity of stakeholders (and their expectations) for which this type of reporting is intended. This explains, for example, why some companies choose not only to deal with risks within the NFS but also to describe non-financial opportunities related to their business model. Similarly, the increase observed in the number of non-financial performance indicators seems to be aimed at meeting the demand from stakeholders such as non-financial rating agencies. A key challenge now seems to be to clarify which need(s) should be covered by the non-financial reporting provided by issuers and which format(s) it should take. To this end, **improved harmonisation of the methodologies underlying the non-financial performance indicators seems desirable**.

Recent trends and expected developments suggest that companies will increasingly be asked by financial players to provide a higher level of both transparency and comparability. The European Commission's Action Plan for Sustainable Finance encourages the shift in this direction, imposing new obligations to consider environmental, social and governance risks and factors, and additional transparency requirements for investors and benchmark administrators. **It therefore seems important to pay greater attention to the close interrelationship between the practices of issuers and investors**. The AMF's 2019 report on non-financial approaches in collective investment schemes, which should be published shortly, highlights this observation.

Furthermore, the multitude of private and public initiatives reinforces the need for more convergence in reporting frameworks. It therefore **seems that a proposal for a more consistent and widely shared framework is required**. In this respect, the conclusions of the special task on non-financial reporting assigned to Patrick de Cambourg by the Minister for the Economy and Finance in spring 2019[5] should help to better structure these initiatives at both the European and international level.

Based on these conclusions, **the AMF supports a revision of Directive 2014/95 EU by the European Commission to change the non-financial reporting framework at the European level towards better completeness, consistency and comparability**.

[5] See the report entitled *"Ensuring the relevance and quality of companies' non-financial reporting: an ambition and an asset for a sustainable Europe"*, June 2019

ISSUES AND USEFUL TEXTS

THEME	ISSUES	USEFUL REFERENCES[6]
STRUCTURE **N°1 (page 28)**	**Clear and accurate cross-references within the non-financial information statement are important when certain information is reported in a separate chapter.** ☐ *Developing an accurate and comprehensive cross-reference table ensures that the non-financial information statement complies with legal provisions.*	▪ §3.3 of the European Commission's guidelines on non-financial reporting, June 2017 ▪ §9 of ESMA's 2019 ECEPs (annex 2) ▪ 1st recommendation updated in the AMF's 2016 Report ("Information formats »)
VOLUME **N°2 (page 31)**	In order to fully comply with the spirit of the non-financial information statement, **it is important to support the conciseness of the non-financial information statement by limiting it to those subjects that the company considers material**. *The use of materials other than the non-financial information statement, such as digital materials, may be considered to meet the requirements of certain stakeholders, resulting in the publication of information that the company does not consider material.*	▪ §3.3 of the European Commission's guidelines on non-financial reporting, June 2017 ▪ 2.2 of the guidelines on non-financial reporting: supplement on climate-related information, June 2019 ▪ §5 of ESMA's 2019 ECEPs (annex 2) ▪ 1st new recommendation of the AMF's 2016 Report ("Increase the relevance of non-financial information")
ARTICULATION OF REQUIREMENTS **N°3 (page 35)**	**In cases where non-financial reporting is not limited to compliance with legal obligations alone but deals more generally with issues of sustainable development or corporate social responsibility that are not material, it is important that the content published as part of the non-financial information statement be clearly identified**. ☐ *The use of other documents may be considered to detail specific non-financial topics that are not material.* ☐ *Similarly, the link with other regulatory requirements is useful if it does not undermine the consistency and readability of the non-financial information statement. For example, all or part of the information relating to the duty of care may be included, provided that its respective components are clearly identified.*	▪ §3.3 of the European Commission's guidelines on non-financial reporting, June 2017 ▪ §9 of ESMA's 2019 ECEPs (annex 2) ▪ 1st recommendation updated in the AMF's 2016 Report ("Information formats »)
PERIMETER **N°4 (page 37)**	**Issuers must comply with the legal provisions set out in Article L. 225-102-1 IV concerning the publication of a non-financial information statement based on the scope of the consolidated financial statements. Issuers are also invited to consider**	

[6] For ESMA's 2019 ECEP : see annex 2 or the following link.
For the AMF's 2016 Report, see the following link.
For the European Commission's guidelines on non-financial reporting of June 2017, see the following link

	reporting on a larger perimeter depending on their business model (integration of joint ventures, licensed entities or sub-contracting chains). ☐ *In cases where part of the consolidated scope cannot be covered, it is good practice to explain and justify these exclusions.* **In order to provide fair and accurate information, it is also important to clearly indicate changes in the scope of consolidation relating to non-financial reporting data.**	▪ §3.2 of the European Commission's guidelines on non-financial reporting, June 2017 ▪ 3rd recommendation reiterated in the AMF's 2016 Report ("Scope of information »)
METHODOLOGY N°5 **(page 43)**	**A methodology note is important to describe the non-financial data collection process, the scopes used for the indicators, the calculation method and possibly a definition for the most important and/or technical indicators, changes to the methodologies used and any limitations associated with these methodologies.**	▪ §3.2 of the European Commission's guidelines on non-financial reporting, June 2017 ▪ §13 of ESMA's 2019 ECEPs (annex 2) ▪ 2nd recommendation reiterated in the AMF's 2016 Report ("Methods used to present information")
REPORTING FRAMEWORKS N°6 **(page 46)**	When an issuer uses a reference framework, **it is important to refer to the recommendations of this framework that have been adopted and the procedures used for consulting it, in accordance with the provisions of Article R. 225-105-1 II of the Commercial Code**. ☐ *Issuers are encouraged to illustrate and detail their commitment, whether in terms of the degree to which they follow the GRI guidelines or the effectiveness of the policies implemented to support the UN Sustainable Development Goals.*	▪ Introduction section of the European Commission's guidelines on non-financial reporting, June 2017 ▪ §14 and §15 of ESMA's 2019 ECEPs (annex 2)
BUSINESS MODEL N°7 **(page 52)**	☐ *While the issuer is free to choose the presentation format for the business model, the inclusion of a schematic representation is particularly useful.* ☐ *As suggested by the European Commission's guidelines, companies may consider including "appropriate disclosures relating to their business environment" and "the main trends and factors that may affect their future development".*	▪ §4.1 of the European Commission's guidelines on non-financial reporting, June 2017
RISKS N°8 **(page 54)**	**It is important to pay particular attention to the process of identifying non-financial issues and risks, in particular to explain why the risks were chosen**. ☐ *It is also good practice to explain how stakeholders were involved in this process.*	▪ §4.4 of the European Commission's guidelines on non-financial reporting, June 2017 ▪ §4, §6, §16 and §17 of ESMA's 2019 ECEPs (annex 2)

	Similarly, it is important to specify, in the non-financial information statement, the time frame over which potential risks may arise and their impact on the company's business model, operations or performance. Finally, where applicable**, it seems important to also include information on supply and subcontracting chains**.	
TARGETS, KPIs AND RESULTS N°9 **(page 71)** N°10 **(page 71)**	**Setting objectives is important to illustrate the policies implemented. It is also important to describe how the company plans to achieve these objectives and implement these action plans.** **It is important that the number of key performance indicators reported be kept to a minimum to ensure that the non-financial information statement is concise. It is also important to justify the choice of key performance indicators in relation to the policies implemented and to ensure that they are monitored over time, in particular with regard to the objectives set.**	▪ §3.4 of the European Commission's guidelines on non-financial reporting, June 2017 ▪ 5th recommendation in the AMF's 2016 Report ("CSR objectives highlighted by companies") ▪ §4.3 of the European Commission's guidelines on non-financial reporting, June 2017 ▪ §12 and §13 of ESMA's 2019 ECEPs (annex 2) ▪ 4th recommendation in the AMF's 2016 Report ("Presentation of indicators")
CONSISTENCY N°11 **(page 77)**	**It is important to ensure overall consistency between the business model, the risks identified, the policies implemented and the key performance indicators**. ☐ *This can be achieved by using consistent terminology and providing a reader-friendly mapping between each risk, its management policy and its key performance indicator(s), such as a summary table*.	▪ §4 of the European Commission's guidelines on non-financial reporting, June 2017
THIRD-PARTY REVIEW N°12 **(page 90)**	☐ *A good practice for issuers is to make commitments to work on the issues identified by independent third-party bodies in their review of the non-financial information statement.* Similarly, independent third-party bodies could also identify an issue as either a one-off problem (linked to the production of an initial non-financial report, for example) or a more structural problem.	▪ N/A

1. PURPOSE AND METHODOLOGY

1.1. OBJECTIVE OF THE ANALYSIS

- *Supporting a transition*

This report is a continuation of the three reports previously published by the AMF on corporate social, societal and environmental responsibility in 2010, 2013 and 2016. However, the regulatory environment has changed significantly insofar as Executive Order 2017-1180 of 19 July 2017 amended Article L. 225-102-1 of the Commercial Code by transposing into law Directive 2014/95/EU of 22 October 2014 on the disclosure by companies of non-financial information and diversity information. For French companies, this Directive requires a change of perspective due to the introduction of a non-financial statement for companies exceeding certain thresholds. While the provisions of the Grenelle 2 Law placed the emphasis on a uniform list of predetermined information, this new approach is based on the concepts of “materiality”[7] and “relevance of information” for stakeholders and the companies themselves.

It therefore seemed useful to identify the challenges faced by issuers in implementing the new non-financial statement for the first year. In line with its roadmap for sustainable finance, the AMF therefore proposes, with this report, to support and guide issuers in an educational way in their non-financial reporting approach.

As a result, unlike in previous years, the decision was made to focus in this study on a limited number of issuers (see Annex 1) to allow a more in-depth qualitative analysis of their non-financial statements. Even though the sample selected comprises only large companies, this report aims to support all companies affected by the non-financial reporting requirements by presenting encouraging practices identified within the companies in the sample, in particular, and providing a reminder of both the regulatory requirements and existing French and European policy.

- *Use of the existing policy*

Aware of the importance of not complicating an already dense regulatory framework, the AMF’s aim was above all to refer to existing legislation rather than make new recommendations. It therefore paid particular attention to reiterating the nine recommendations it made or renewed in November 2013 and the four new recommendations it issued in 2016. Similarly, the European Commission’s guidelines on reporting non-financial reporting, published in June 2017[8] and updated in June 2019[9], provide a useful reference text that issuers can use when preparing their non-financial statement. Finally, the guidelines proposed by ESMA in its European Common Enforcement Priorities (ECEPs)[10] provide an interesting insight at the European level into the challenges of the non-financial statement.

- *Decision not to use a “name and shame” approach*

With a view to providing guidance, the AMF has chosen to quote, by way of example, passages from certain reports published by companies in this sample. The AMF has also sought, where possible, to identify and highlight good practices adopted by issuers, without referring to them by name.

[7] Please note that the word « materiality » is used in reference to the European Commission’s guidelines on non-financial reporting (§3.1).

[8] See the following link.

[9] See the following link.

[10] See the following link.

In this regard, it should be noted that references made to a company in the sample are intended to illustrate a specific point of the analysis and have no bearing on the general quality of that company's non-financial reporting.

1.2. ANALYSIS METHODS USED

- *Company sample*

In the first year that French issuers were required to prepare their non-financial statement, the report focused on studying a sample of 24 issuers from the CAC 40 and SBF 120 indices that had published an integrated report for the previous financial year (see Annex 1). This selection criterion, chosen with a view to objectifying the sample, makes it possible to study issuers that were probably better prepared for the paradigm shift involved in providing the non-financial statement, since non-financial reporting must now aim to present, beyond compliance with a list of topics to be developed, a more integrated vision of the company's business model, its strategy and how it creates value over time.

Accordingly, the sample selected includes the 19 CAC 40 companies that published an integrated report in 2018[11] and, in order to include smaller companies, the five smallest market caps on the SBF 120 index that also published an integrated report in 2018.

100% of the companies in the sample prepare a registration document that they use as their annual report, which includes non-financial reporting information.

Furthermore, two companies in the sample (TF1 and MERCIALYS) prepared voluntary non-financial reporting. They did not qualify under the eligibility criteria for the non-financial statement or could have benefited from a planned exemption.

The eleven industries[12] included in the Industry Classification Benchmark (ICB), the nomenclature used internationally to define the sectors of activity of listed companies, are all represented in the sample.

- *An analysis based primarily on documentation, supplemented by interviews*

The analysis was carried out on the basis of the reference documents published by the companies in the sample. It should be noted that not all the documents used for the purposes of the study have necessarily been reviewed by the AMF, particularly when certain information was not included in the registration document.

This document-based analysis was supplemented by around ten bilateral interviews with five managers responsible for the sustainable development of CAC 40-listed companies, two audit firms, an independent third-party body and two non-financial rating agencies.

- *Use of an evaluation grid*

The analysis method consisted of filling in a grid consisting of approximately 190 questions covering in particular the requirements and topics covered by Articles L. 225-102-1 and R. 225-105 of the Commercial Code (presentation of the business model, the risks related to the activity, the policies implemented and the results of these), but also other more general aspects (including the overall consistency of the Corporate Social Responsibility (CSR) strategy and the objectives adopted by companies in relation to social and environmental matters) that help to provide the context for the non-financial statement. The questions, both quantitative and qualitative, required either an "open" answer (several possible answers, or perhaps requiring a comment) or a "closed" answer (yes/no, or sometimes "not applicable" or "not specified").

[11] PERNOD RICARD was not selected because of its delayed closing.

[12] Technology, Telecommunications, Health Care, Financials, Real Estate, Consumer Goods, Consumer Services, Industrials, Basic Materials, Oil & Gas, and Utilities (ICB classification, June 2019).

Useful references

The AMF's analysis was based on the regulatory provisions laid down in Directive 2014/95 / EU[13] on the publication of non-financial information and on the provisions of the French Commercial Code.

Elements of the existing doctrines at the French or European level, were also reminded to guide the readers in the follow-up of the good practices identified:

- non-financial reporting guidelines of the European Commission (June 2017) available on the following link;
- supplement on reporting climate-related information of the European Commission (June 2019) available at the following link;
- European common enforcement priorities (ECEP) published by the ESMA that includes recommendations relating to non-financial reporting and are available in **annex 2** and at the following link;
- the previous reports published by the AMF on non-financial reporting of listed companies, especially the 2016 Report available at the following link.

The AMF encourages issuers to refer to these references when drawing up their non-financial statements as that they can provide useful and precise guidance. No new recommendations are issued by the AMF in this report.

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[13] The text is available at the following link.

2. REGULATORY BACKGROUND

2.1. DEVELOPMENTS IN NON-FINANCIAL REPORTING

2.1.1. Successive developments for French companies

- *Improving non-financial reporting*

While the French regulatory framework in terms of corporate social responsibility (CSR) was largely driven by national provisions between 2001 and 2017, it has also been driven at the European level.

The Grenelle 2 Law of 12 July 2010 establishing a national commitment as regards the environment was significant since, for financial years starting in 2011, listed companies were required to be transparent in their management report on a list of 42 regulatory items relating to social, societal and environmental issues.

Two new pieces of legislation have had an impact on companies' disclosure requirements: the TECV Law of 17 August 2015 on energy transition for green growth and the law of 11 February 2016 on combating food waste. The first piece of legislation states in particular that the chief executive's report must report on *"the financial risks related to the effects of climate change and the measures taken by the company to reduce them by implementing a low-carbon strategy in all areas of its business"*[14] and that CSR reporting contained in the management report is expanded to include *"the impacts the company's business activity and the use of the goods and services it produces will have on climate change"*.[15] The second piece of legislation states that CSR reporting in the management report should include information on the company's commitments in support of "the fight against food waste".[16]

The Sapin 2 Law 2016-1691 of 9 December 2016 on transparency, anti-corruption and economic modernisation sets out new requirements for certain companies to prevent and detect corruption and influence peddling. These requirements are imposed on companies and Industrial and Commercial Public Establishments (EPICs) with at least 500 employees and a turnover of more than €100 million, as well as on their executive corporate officers.

Similarly, Law 2017-399 of 27 March 2017 on the duty of care of parent companies and ordering companies led to the revision of Articles L. 225-102-4 and L. 225-102-5 of the Commercial Code. In particular, it imposes on joint-stock companies that employ, within their companies or in their subsidiaries, at least 5,000 employees in France or 10,000 employees worldwide, the requirement to prepare a duty of care plan, implement it and publish it. This plan must include *"reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, health and safety of persons and the environment"*.

Finally, in terms of non-financial reporting, publishing a non-financial statement has become the new cornerstone of the French regulatory framework since 2017 (see 2.1.2).

- *Redefining the company's role in the economy*

Announced by the government in October 2017, consideration of the company's corporate purpose became a reality with the final adoption of Law 2019-486 of 22 May 2019 on business growth and transformation, the PACTE Law.

[14] Article 173 3° III of the TECV Law and Article L. 225-37 paragraph 6 of the Commercial Code.

[15] Article 70 IV of the TECV Law and Article L. 225-100-1 paragraph 4 of the Commercial Code.

[16] Article L. 225-102-1 paragraph 5 of the Commercial Code.

Article 169 of the PACTE Law thus confirms in law a new definition of the notion of the company's corporate interest, by supplementing Article 1833 of the Civil Code with the following paragraph: *"The company's corporate interest shall be managed, taking into consideration the social and environmental issues of its activity."* The Senard-Notat report states in this respect that the corporate purpose must be used as a *"guide for determining the company's strategic guidelines and the actions that result from them"* in order to express *"what is essential to achieve the corporate purpose"*.

The provision of the PACTE Law also results in amending Article 1835 of the Civil Code by adding the following sentence: *"The articles of incorporation may specify a corporate purpose, consisting of the principles that the company has adopted and the resources it intends to allocate in carrying out its activities, in order to comply with those principles."* While the provision is intended for all French companies, it is still optional.

A number of French companies have chosen to adopt a corporate purpose, such as Veolia on 18 April, Atos on 30 April and Carrefour on 14 June. For Veolia, the general meeting of 18 April provided an opportunity to present its mission of *"resourcing the world"*. The general meeting at Atos on 30 April led to almost unanimous approval (99.93%) to give Atos the mission to *"help design the future of the information technology space"*. Finally, for Carrefour, the adoption of a corporate purpose took place on 14 June 2019 with a shareholder vote, with the majority of shareholders (99.72%) in favour of the new provision provided for by the PACTE Law. Carrefour is now committed to *"provid(ing) (its) customers with quality services, products and food accessible to all"*. Some companies have also taken the opportunity to establish a dialogue between their shareholders and executive corporate officers on this subject at their general meetings, which reflects the attractiveness of this provision. The AMF's 2019 report on governance and executive compensation expands on this subject and reflects the fact that environmental, social and governance issues are increasingly intertwined.

2.1.2. The non-financial statement

Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amends certain provisions of Directive 2013/34/EU on annual financial statements, consolidated financial statements and related reports with regard to the disclosure of non-financial information and diversity information.

One of the new features introduced by the Directive is the introduction of the requirement for a non-financial statement. The procedures for transposing Directive 2014/95/EU have allowed Member States a certain margin of freedom to oversee the publication of the non-financial statement by issuers.

Executive Order 2017-1180 of 19 July 2017 thus amends Article L. 225-102-1 of the Commercial Code for financial years beginning on or after the transposition of Directive 2014/95/EU of 22 October 2014 on the disclosure by companies of non-financial information and diversity information. The new provisions were applicable for financial years beginning on or after 1st August 2017.

Decree 2017-1265 of 9 August 2017 amends Articles L. 225-100 and following of the Commercial Code and Articles R. 225-104 to R. 225-105-2 of the same Code, thereby specifying the format that the non-financial statement must take for companies governed by French law. The decree also states that all these provisions ultimately apply to reports relating to financial years beginning on or after 1st September 2017.

Companies closing their financial statements as at 31 December 2018 were therefore required to provide a non-financial statement for the first time in their 2018 management reports published in 2019.

- *Scope of the Directive and its transposition into French law*

The first paragraph of Article 1 of the Directive provides for the publication of a non-financial statement for large companies that are public interest entities[17] exceeding, at their balance sheet date, the criterion of an average of 500 employees during the financial year.

Article R. 225-104 of the Commercial Code specifies the thresholds applicable to French companies, which differ from those provided for by the Directive:

- For any company whose securities are admitted to trading on a regulated market: €20 million for the balance sheet total, €40 million for total net turnover and 500 for the average number of permanent employees employed during the financial year;[18]
- For any company whose securities are not admitted to trading on a regulated market: €100 million for the balance sheet total and total net turnover, and 500 for the average number of permanent employees employed during the financial year.

The adoption of specific thresholds ensured a certain continuity with the reporting requirements that had been established by the Grenelle 2 Law. A number of SMEs listed on the regulated market that were subject to non-financial reporting, have been exempted from it.

Where the company is required to do so, the non-financial statement must be published in the management report prepared by the board of directors or the management board at the same time as the financial statements to which it relates. Where the company prepares consolidated financial statements, the non-financial statement must be published in the consolidated management report. In accordance with Article R. 225-105-1 of the Commercial Code, it must also be made public on the company's website within eight months of the end of the financial year and remain available for five years.

Article L. 225-102-1 IV of the Commercial Code specifies that companies that qualify under the above thresholds that prepare consolidated financial statements in accordance with Article L. 233-16 are required to publish a consolidated non-financial statement, with information relating to all companies included in the scope of consolidation in accordance with Article L. 233-16.[19] In cases where certain entities in the scope of consolidation are not covered by the reporting, this must be explained and justified in the non-financial statement.

In line with the European Directive, companies that qualify under the above thresholds and that are under the control of a company that includes them in its consolidated accounts in accordance with Article L. 233-16 are not required to publish a non-financial statement provided that the company that controls them is established in France and publishes a consolidated non-financial statement.

- *Content of the non-financial statement*

Article L. 225-102-1 III sets out the information that all companies that qualify under the above thresholds must present, namely *"the way in which the company takes into account the social and environmental consequences of its activity"*.

[17] A public interest entity is an undertaking governed by the law of a Member State, whose securities are admitted to trading on a regulated market of a Member State within the meaning of Article 4(1)(14) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (Article 2 of Directive 2013/34/EU).

[18] It should be noted that the average number of permanent employees is specified by Article R. 123-200 of the Commercial Code as follows: *"The average number of permanent employees employed during the financial year is equal to the arithmetic mean of employees at the end of each quarter of the calendar year, or of the financial year when it does not coincide with the calendar year, with whom the company has an employment contract for an indefinite period."*

[19] The scope of consolidation includes the parent company, the companies it controls exclusively and the jointly controlled companies.

Companies whose securities are admitted to trading on a regulated market and companies whose securities are not admitted to trading on a regulated market must publish *"information on how the company takes into account the social and environmental consequences of its activity"*. Companies whose securities are admitted to trading on a regulated market must also indicate the effects of their activity in terms of respecting human rights and combating corruption and tax evasion.

Article L. 225-102-1 IV also states that, provided that these topics are relevant to the company, the non-financial statement *"shall include information on the impacts the company's business activity and the use of the goods and services it produces will have on climate change; on its societal commitments to sustainable development, the circular economy, combating food waste and food insecurity, respect for animal welfare and responsible, equitable and sustainable nutrition; on the collective agreements concluded in the company and their impacts on the company's economic performance and employees' working conditions; on the initiatives aimed at combating discrimination and promoting diversity; and on the measures taken in favour of disabled people"*. Identifying the topics to be reported on is therefore a specific feature of the French transposition, as shown in the table below.

Themes prescribed by L.225-102-1 and provided by the 2014/95/UE Directive	Themes prescribed by L.225-102-1 but not provided by the 2014/95/UE Directive**
How the company takes into account the social and environmental consequences of its activity Human rights* Fight against corruption*	Tax evasion* Impacts the company's business activity and the use of the goods and services it produces will have on climate change Societal commitments to sustainable development Commitments to circular economy Commitments against food waste and food insecurity, Commitments to animal welfare and responsible, Commitments to equitable and sustainable nutrition; Collective agreements concluded in the company and their impacts on the company's economic performance and employees' working conditions Commitments against discrimination and to promote diversity Commitments to disabled people

*These topics only concern companies whose securities are admitted to a regulated market.
**Article L. 225.100-1 4°) of the Commercial Code also specifies that companies whose securities are admitted to a regulated market must present "information on the financial risks related to the effects of climate change and the measures adopted by the company to reduce them by implementing a low-carbon strategy in all areas of its business".

It is important to note that information on these topics should be published *"to the extent necessary to understand the company's situation, the development of its business, its economic and financial results and the impact of its activity"*. While the provisions of the Grenelle 2 decree focused above all on completeness, this new approach is based on the concepts of materiality and the relevance of information for the company and its stakeholders.

Article R. 225-105 of the Commercial Code provides details on the way in which the non-financial statement must be structured. It must include:

- A description of the main risks related to the activity of the company or group of companies including, where relevant and proportionate, the risks created by its business relationships, products or services;
- A description of the policies implemented by the company or all companies including, where applicable, the due diligence procedures implemented to prevent, identify and mitigate the risks mentioned above;
- The results of these policies, including key performance indicators.

It should be noted that the order in which the sections dealing with policies implemented and risks to be addressed has been changed from that stated in the Directive.[20] Consequently, the French approach to the non-financial statement differs from that adopted at the European level by making risks the basis on which it should be structured, thus minimising the weight given to opportunities.

Where the company does not apply a policy in relation to one or more identified risks, the non-financial statement shall include a clear and reasoned explanation of the reasons for this. Accordingly, the "comply or explain" principle no longer concerns the completeness of the headings of the 42 items subject to reporting, but instead concerns the absence of a policy to deal with a significant risk identified in relation to the company's business model.

☐ *Review of the information published in the non-financial statement*

The Directive requires Member States to ensure that an audit firm verifies that the non-financial statement or separate report has been produced (Article 1, §5). French companies are therefore required to provide a declaration that the non-financial statement exists (Article L. 823-10 of the Commercial Code). However, it is not the auditor's responsibility to verify the accuracy and consistency with the financial statements of the information presented in the non-financial statement.

Furthermore, the French legislator has chosen to retain the option proposed in the Directive to have the information verified by an external service provider.[21] Therefore, an independent third party body (ITB) that is regularly accredited (by COFRAC or by any accreditation body signatory to the multilateral recognition agreement established by the European Coordination of Accreditation Bodies) must be appointed for all entities exceeding the thresholds of €100 million in net turnover or balance sheet total and an average number of 500 permanent employees employed during the financial year. According to Articles R. 225-105-2, I and II, and A. 225-1 of the Commercial Code, the ITB must prepare a report that firstly includes a reasoned opinion on the compliance of the non-financial statement and on the accuracy of the information provided, and secondly reports on the procedures used to carry out its audit task.

This audit has the advantage of ensuring that the company for which the ITB carries out these audits has collection processes in place that ensure the completeness and consistency of the information to be included in the non-financial statement. If the ITB identifies irregularities during its audit task, it shall describe them. The audits carried out therefore focus primarily on the operating procedure that led to the compilation and publication of such data (consolidation, purposes of the definitions and collection procedures) as well as on the consistency of the indicators used with regard to the risks identified, rather than on monitoring the indicators themselves.

Finally, an entity, whether or not subject to the requirement to prepare a non-financial statement, may also voluntarily request from its auditor additional work on the environmental or social information relating to this statement.

This additional work can be carried out outside the scope of accreditation. In this context, the entity may ask its auditor to express an opinion on, for example, the accuracy of the entire non-financial statement (rather than just the information) or obtain reasonable assurances about specific information.

[20] According to the Directive, the non-financial information statement contains: a) a brief description of the company's business model; b) a description of the company's policies in relation to these issues, including the due diligence procedures implemented; c) the results of these policies; d) the main risks associated with these issues in relation to the company's activities; and e) key non-financial performance indicators relating to the activities in question.

[21] The terms of the ITB's engagement were clarified by decree last September and apply to audits carried out relating to financial years starting on or after 1 September (Decree of 14 September 2018 amending the Decree of 13 May 2013 determining the terms under which the independent third-party body carries out its audit task).

2.1.3. European policy on the non-financial statement

- *European Commission guidelines*

The European Directive was supplemented in June 2017 by non-binding guidelines from the European Commission[22] specifying the methodology for reporting non-financial information, including key performance indicators of a non-financial, general and sector-specific nature. This document has the advantage of clarifying the principles laid down by the Directive, listing the information that can be provided by companies (for example, when the business model has to be described) and illustrating this information with concrete examples. During the interviews held in the course of preparing this report, it was found that the European Commission's guidelines were not widely known about or used by French companies.

- *Climate reporting framework proposed by the European Commission*

In its action plan on sustainable finance adopted in March 2018, the European Commission indicated its desire to improve the conditions for publishing information and the accounting rules for companies. For example, Action 9.2 stated that *"by the second quarter of 2019, the Commission will revise the guidelines on non-financial reporting"*. The underlying objective of this review was to provide companies with better guidance on publishing climate information similar to that recommended by the Task Force on Climate-related Financial Disclosure (TCFD).

In June 2019, the European Commission published a 30-page supplement on climate reporting to complement the existing guidelines document[23].

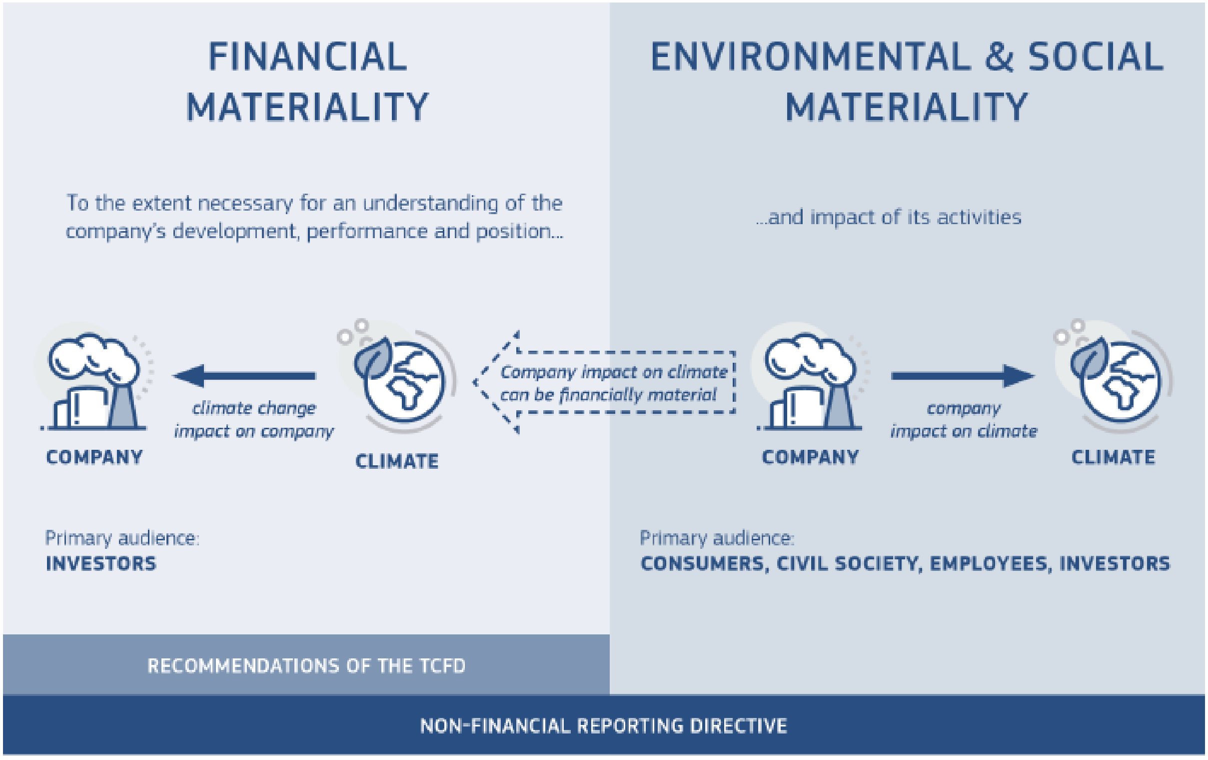
One of the new features introduced by this supplement is that it provides a second interpretation of the concept of materiality. Accordingly, the concept of materiality can be considered from two perspectives: a financial materiality (i.e. any factor that must be taken into account to understand the development or performance of a company) and/or an environmental and social materiality (i.e. any factor that must be taken into account to understand the external impacts of a company). The European Commission insists that the supplement should be used by companies when at least one of the two perspectives is relevant for a company.

Finally, this clarification in the supplement suggests that materiality should be assessed not only in terms of risks but also in terms of opportunities. This is in line with one of the objectives that the European Commission is pursuing with its action plan on sustainable finance, namely to redirect investment flows towards the most virtuous projects and issuers, which goes beyond a risk control approach.

The document is structured around the five pillars that underpin Directive 2014/95/EU (business model, policies and due diligence, outcome of policies, risks and risk management, and key performance indicators).

[22] See the following link.

[23] See the following link.



* *Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.*

There are thirteen new recommendations issued to issuers that correspond to information that *"a company should consider using the recommended disclosures to the extent that they are necessary for an understanding of its development, performance, position and impact of its activities"* (§2.4). Furthermore, the Commission suggests 30 *"further guidance"* recommendations that *"companies may consider including as part of the recommended disclosures"* (a total of 43 recommendations, see Annex 3).

The last section of the supplement proposes a set of performance indicators on which issuers are encouraged to report and also suggests appropriate reporting frameworks for developing these indicators.[24]

From the principled point of view, the 13 recommendations made by the Commission are consistent with the disclosures of French companies required under Articles L. 225-100-1 and R. 225-105 of the Commercial Code. However, as the guidelines are more detailed than the Commercial Code and provide more concrete information on the reporting procedures, French companies are encouraged to follow the approach set out in them.

2.1.4. Linkage with other non-financial reporting requirements

As mentioned above, the publication of a non-financial statement is linked to other French regulatory provisions on non-financial reporting.

[24] The supplement recommends indicators such as absolute and relative CO_2 emissions targets, total renewable energy consumption and/or production, the percentage of products and services associated with activities that contribute to climate change mitigation or adaptation, or the value of assets committed in regions likely to become more exposed to acute or chronic physical climate risks.

- *Duty of care plan*

Article L. 225-102-4 provides for companies that, at the end of two consecutive financial years, employ at least 5,000 employees within their company and direct/indirect subsidiaries whose registered office is in France, or employ at least 10,000 employees within their company and their direct/indirect subsidiaries whose registered office is in France or abroad, to publish a duty of care plan.

This plan must include "*reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, health and safety of persons and the environment*". It includes:

- A risk mapping intended to identify, analyse and prioritise risks;
- Procedures for regularly assessing the situation of subsidiaries, subcontractors or suppliers with whom an established commercial relationship is maintained, with regard to the risk mapping;
- Appropriate measures to mitigate risks or prevent serious harm;
- A mechanism for alerting and collecting alerts on the existence or occurrence of risks, drawn up in consultation with the representative trade union organizations in the company;
- A mechanism for monitoring the measures implemented and evaluating their effectiveness.

- *Corruption prevention plan*

Article 17 of the Sapin 2 Law 2016-1691 of 9 December 2016 on transparency, anti-corruption and economic modernisation requires companies with more than 500 employees and a turnover of more than €100 million to draw up a plan to prevent corruption. However, this plan is only made public by companies listed on a regulated market. It includes:

- A code of conduct defining and illustrating the different types of behaviour to be prohibited. It is integrated into the company's internal regulations (by-laws);
- An internal alert system;
- A risk mapping in the form of a document that is updated on a regular basis;
- Evaluation procedures to assess the situation of clients, firs-rank providers and intermediaries in light of the risk mapping realized;
- Accounting control procedures, internal or external, to ensure that books, records and accounts are not used to hide acts of corruption and influence peddling;
- A disciplinary regime allowing to sanction the employees of the company in case of violation of the code of conduct of the company;
- A training mechanism for the most exposed managers and staff;
- An internal system for monitoring and evaluating the measures implemented.

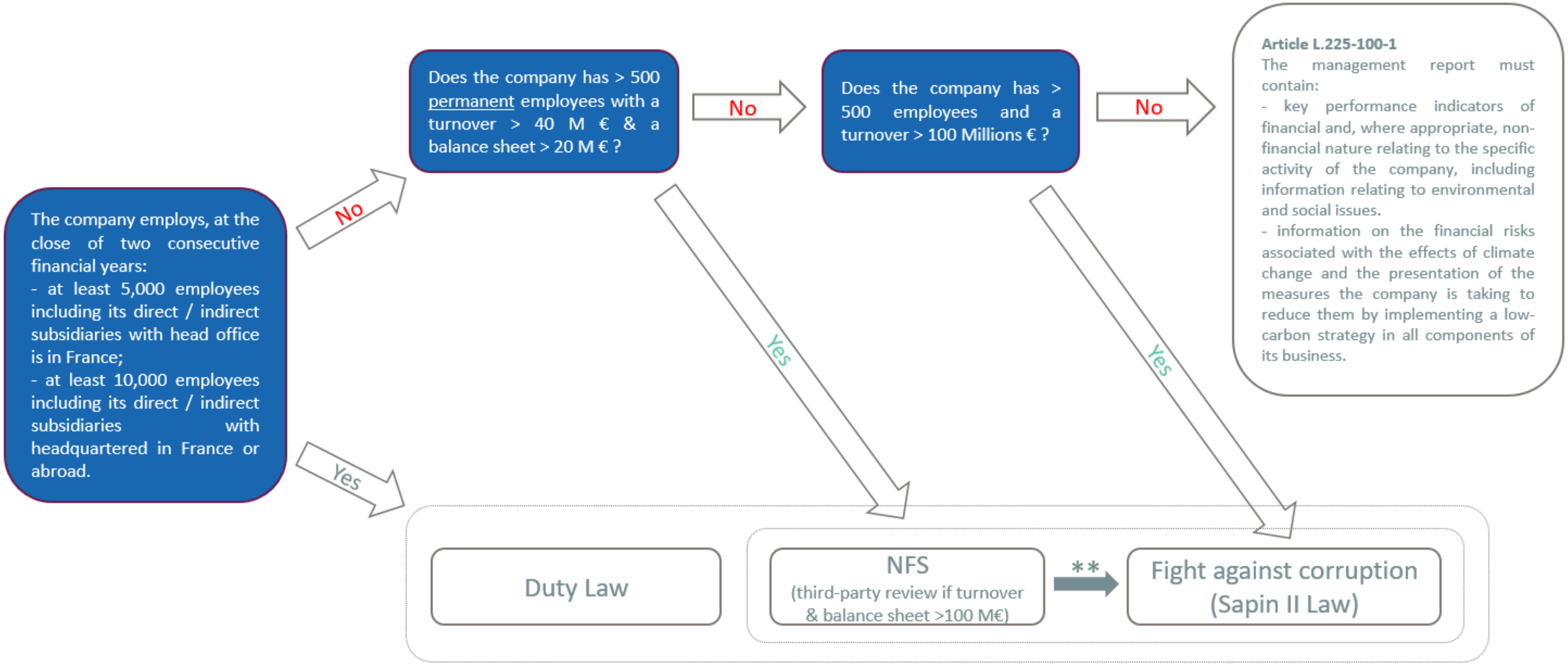
It should be noted that the concept of "employee" in the corruption prevention plan is to be understood in the broader sense of the term than that of "permanent employee" used for the preparation of the non-financial statement.

More generally, the linkage between these different regulatory requirements seems problematic due to a lack of harmonisation in the applicable thresholds and scopes. Several market players, as well as those interviewed during preparation of this report, shared the same observation.

2.1.5. What are the non-financial reporting requirements for different companies?

The diagrams presented below summarise the regulatory requirements for non-financial reporting to which companies are subject, depending on their characteristics.

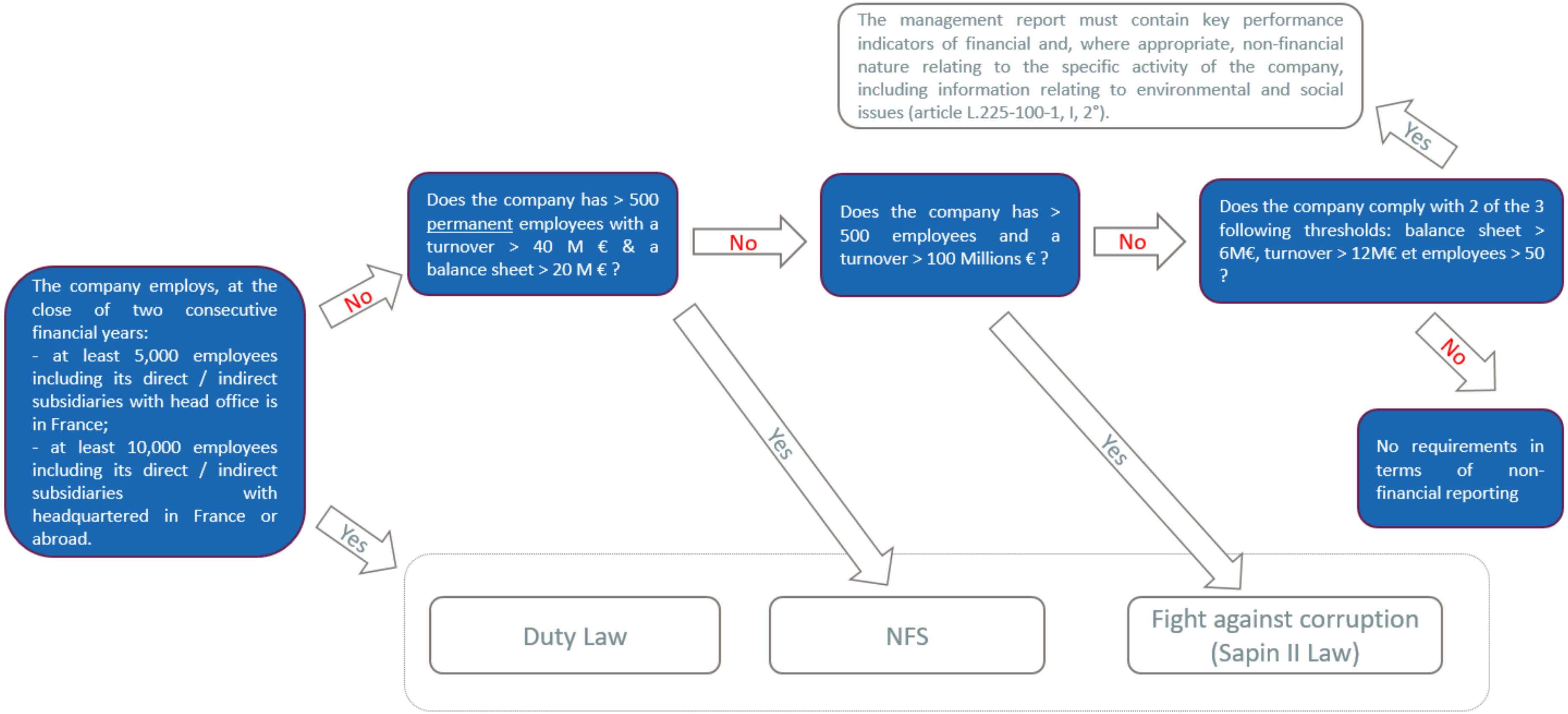
REGULATED MARKET



* For the purposes of this diagram, it was assumed that a company with at least 5,000 employees generated turnover of at least €40 million and had a balance sheet of at least €20 million.

** According to Article L. 225-102-1 III of the Commercial Code, the NFS must provide information on the way in which the company addresses anti-corruption. However, the provisions of Article 17 of the Sapin Law are more restrictive in that they require eight specific measures that companies must implement.

NON-REGULATED MARKET



* For the purposes of this diagram, it was assumed that a company with at least 5,000 employees generated turnover of at least €100 million and had a balance sheet of at least €100 million.

2.1.6. Challenges for issuers

A diversity of reporting frameworks and standards currently exist at the international level, as shown in Annex 4.

The European Commission has sought to use this as a basis for developing its guidelines on non-financial reporting. Similarly, it referred to the frameworks that can be used in the area of climate reporting in the supplement it published in June 2019.

However, it can be seen that there is now a real challenge in coordinating these different initiatives. While some initiatives tend to play on their complementary aspects through partnerships (for example, between the TCFD and CDP), their increasing number can create complexities and confusion for the players in the sector.

The Corporate Reporting Dialogue initiative brings together different non-financial reporting organisations at the international level and aims to improve the alignment of the many coexisting reporting frameworks through a project called the Better Alignment Project. Its members are the CDP, CDSB, FASB, GRI, IIRC, IASB and SASB.

A progress report is scheduled for October and many issuers and investors (among other stakeholders) are building on this initiative to positively change non-financial reporting practices at the international level.

This is an issue also identified by the report on the special task assigned to Patrick de Cambourg by the Minister for Economy and Finance, Bruno Le Maire, and entitled *"Ensuring the relevance and quality of companies' non-financial reporting: an ambition and an asset for a sustainable Europe"*.

The report proposes a decisive step forward, at the European and international level, to structure non-financial reporting and provide a high degree of reliability and relevance, while offering greater comparability. This standardisation project, which is intended to be undertaken at the European level, will be conducted in direct contact with all stakeholders under the aegis of the public authorities. The report proposes that the development of content and reporting standards be carried out as part of a project by a standard setter in the public sphere. This could involve the establishment by the European Commission of a group or body dedicated to this work.

As the European Commission has set ambitious objectives in its action plan on sustainable finance, we can finally expect it to give more consideration to improving the commitment of issuers to environmental and social issues. This could take the form of a revision of Directive 2014/95/EU to clarify its content, a change in the status of its guidelines to make them binding or the drafting of a regulation. This means that 2020 is likely to be characterised by the development of the European non-financial reporting framework.

2.2. OTHER REGULATORY DEVELOPMENTS IMPACTING ISSUERS

It must be said that the current debates on sustainable finance are raising some major challenges for issuers. Sufficient, good quality and comparable non-financial information is a prerequisite for investors to be able to implement the European Commission's current or ongoing initiatives, such as the new transparency requirements for institutional investors and asset managers with regard to sustainability (the "disclosures" regulation), the creation, at the European level, of carbon-related benchmarks (the "benchmarks" regulation) or the taxonomy project to promote sustainable investment.

- *Taxonomy*

The creation of a taxonomy to promote sustainable investment is intended to be the cornerstone of the measures taken by the European Commission in support of sustainable finance in March 2018. The associated objective is therefore to define harmonised criteria for determining whether an economic activity is environmentally sustainable.

This measure should be reflected in a regulation defining the main principles and governance, with the details being laid down at level 2 by delegated acts.

At this stage of regulation development, an economic activity within an investment portfolio must meet the following requirements for it to be considered green:

- It contributes substantially to at least one of the environmental objectives of the EU taxonomy, for which technical screening criteria are available:
    - Climate change mitigation;
    - Climate change adaptation;
    - Sustainable use and protection of water and marine resources;
    - Transition to a circular economy, waste prevention and recycling;
    - Pollution prevention and control;
    - Protection of healthy ecosystems.
- …without significantly affecting any of the other objectives, and…
- …by respecting the minimum social guarantees represented by the principles and rights set out in the eight fundamental conventions defined in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

These measures should enable economic players and investors to clearly understand which activities are considered sustainable in order to make more informed decisions.

These activities that are qualified as sustainable should also provide a basis for setting standards in the area of sustainable financial products, such as the EU Green Bond Standard and the EU Ecolabel.

This text is still under discussion at the level of the co-legislators.

- *Transparency requirements for institutional investors and asset managers with regard to sustainability*

The aim of the European Commission's initial proposal for a regulation was to define harmonised rules, applicable to all financial market professionals, for the disclosure of information on sustainable investments and sustainability risks. The text adopted following the political agreement reached between the European Parliament and the EU Member States last March goes further, imposing an obligation on stakeholders to provide information on the main negative impacts of their investment policy on environmental, social and governance (ESG) factors, in addition to the requirements on taking ESG risks into account in their investment processes.[25] The draft regulation sets out these transparency obligations at the product level. It also contains specific provisions for products claiming to be sustainable, distinguishing between products with ESG characteristics, among others, and those that pursue ESG objectives, focusing on "sustainable investments", which are defined as investments in activities contributing to a social or environmental objective.

In terms of timing, technical implementing standards clarifying the provisions of the regulation are expected in September 2020, with a general entry into force of the regulation expected between December 2020 and January 2021.

- *Climate benchmarks*

In parallel, a political agreement was reached last February between the European Parliament and Member States to amend the Benchmarks Regulation to provide for the creation of a new category of low-carbon and positive carbon benchmarks.[26] The regulation also reinforces transparency requirements for benchmarks that incorporate

[25] Press release available from the following link.

[26] Press release available from the following link.

ESG criteria into their methodology in order to provide investors with better information on the carbon footprint of companies and investment portfolios. For example, the text governing the creation of the EU Climate Transition Benchmark stipulates that benchmark providers must select, weight or exclude underlying assets issued by companies whose operations do not significantly affect certain ESG objectives and which, at the latest by 31 December 2022:

- declare measurable and time-bound objectives for reducing carbon emissions;
- declare a reduction in carbon emissions broken down to the level of the operating subsidiaries concerned;
- publish annually information on progress towards these objectives.

Furthermore, the interim report from the Technical Expert Group (TEG) setting out the minimum information to be published by all benchmarks taking ESG factors into account seems to indicate a high level of ambition for the delegated acts to be adopted in the future by the European Commission. In particular, it proposes, for these benchmarks, the publication of a number of key performance indicators within the benchmark.

The regulation provides for a gradual entry into force of its various provisions. Most of the provisions for all benchmarks (transparency on the incorporation of ESG criteria into methodologies) will apply from 30 April 2020, while the methodologies for the two new categories of low-carbon benchmarks are expected to enter into force at the earliest on 30 April 2020 and at the latest on 1 January 2021, according to the publication of the delegated acts.

It is clear at this stage that the approach of investors and benchmark administrators in these two areas will depend entirely on the existence and quality of the information published by issuers regarding their own climate factors.

3. GOOD PRACTICES IN A SAMPLE OF FRENCH COMPANIES

3.1. FORMAT

3.1.1. Structure of the non-financial statement

Article R. 225-105 of the Commercial Code lists the various elements making up the non-financial statement (NFS), namely:

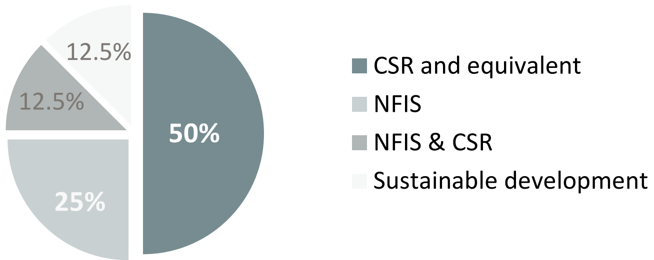
- The business model (or commercial model) of the company or, where applicable, of all companies for which the company prepares consolidated accounts.
- A description of the main risks related to the activity of the company or all companies.[27]
- A description of the policies implemented by the company or all companies including, where applicable, the due diligence procedures implemented to prevent, identify and mitigate the risks identified.
- The results of these policies, including key performance indicators.

However, the Commercial Code does not include explicit provisions on the formal structure of the NFS, leaving it to issuers to freely determine the structure of their statements. The analysis of the various NFS produced by the 24 issuers in the sample therefore revealed a wide variety of formats adopted by issuers. For example, the number of pages making up the NFS varies, its structure is more or less fragmented, and its name differs from one issuer to another. Despite the relatively small sample size, the analysis reveals a wide disparity.

☐ *Formal title of the chapter including the NFS*

The title of the chapter including the NFS may differ from one company to another.

Title used by companies for the chapter including the NFS.



This is due in particular to the fact that some companies choose to deal with sustainable development or corporate social responsibility in the broadest sense of the term, not wishing to limit their reporting to the sole aspect of non-financial risks. In this case, the content specifically relevant to the non-financial statement is clearly identified, allowing the reader to distinguish information subject to a regulatory obligation from that published by the company on a voluntary basis.

For example, one company clearly explains that it identified a set of non-financial risks under the non-financial statement and mentions that *"for the sake of continuity and transparency of information, certain social, environmental and societal data has been retained in this chapter and are presented by topic"*. It specifies that *"this information is not part of the framework of the non-financial statement and should not be assimilated as such"* and indicates that it is presented, for each area of the sustainable development strategy, in a section clearly identified by the wording *"commitments"*. In practice, this approach assists in identifying the information provided under the non-financial statement and that published in addition to it.

[27] Including, where relevant and proportionate, the risks created by its business relationships, products or services.

- *NFS presented in fragmented formats*

- Nine issuers, representing 38% of the sample selected, prepare a single chapter dealing with the NFS alone that brings together the elements listed in Article R. 225-105 of the Commercial Code (described above). However, for the sake of clarity and consistency, these nine issuers do not deal with the business model in full in their NFS but make explicit and visible cross-reference to it towards the beginning of their registration document. The business model, being of interest to all stakeholders, is generally included at the beginning of the registration document.

  Cross-referencing improves the overall readability of the non-financial elements while allowing the issuer to adopt the format that it considers most consistent. However, a significant proportion of companies (17%) have opted for a single, stand-alone section without making this type of explicit cross-reference to the business model.

> 3.1.4 Main components of the SEFP
>
> Bouygues SA is obliged to publish a Statement on Extra-Financial Performance starting from the 2018 financial year. This current report outlines and ratifies the Group CSR policy in keeping with the new legislation, which has four pillars (indicated by a SEFP pictogram outside of this chapter):
>
> - business model (see section 1.1 of Chapter 1).
> - summary table of the key CSR issues for the Group's diversified business activities (see sub-section 3.1.1).
> - presentation of policies (see sections 3.2 to 3.4 of this chapter).
> - presentation of performance indicators (see sections 3.2 to 3.4).

Source: Bouygues registration document

- About 30% of issuers have opted for a main section consisting of the CSR policies implemented, the results of these policies and the associated key performance indicators. Information relating to the business model and non-financial risks is dealt with outside the NFS. This fragmentation of content, which is not always accompanied by specific cross-references, leads to a fragmentation of information and affects the readability and consistency of the various sections of the NFS.
- Finally, a minority of issuers have chosen to include non-financial information in the registration document, most often to the detriment of the readability and consistency of the content.

Specific cross-references – which may sometimes be lacking – are encouraged by the European Commission, which, in its guidelines on non-financial reporting,[28] states that *"the non-financial statement may include internal cross-references or signposting in order to be concise [and] limit repetition"*.
As the AMF recommended in its 2016 report, *"when information is set out in several parts of the registration document or is published on other media [...], the AMF recommends that companies should make this clear [...] through cross-references to the chapters or the formats in question"*.[29]

- *Cross-reference tables*

In order to ensure consistency between the various elements of the NFS, issuers generally use so-called "CSR" cross-reference tables. These allow the issuers, for example, to report on compliance with the requirements of Article R. 225-105 of the Commercial Code, the European Commission's guidelines and alignment with other standards.

While one-third of the companies in the sample do not use them, those that have implemented them have done so in a variety of ways. Some cross-reference tables are minimalist, using only four or five elements of Article L.

[28] See §3.3 of the European Commission's guidelines on non-financial reporting, June 2017.

[29] 1st recommendation updated in the AMF's 2016 Report ("Information formats »)

225-102-1 of the Commercial Code, and are attached as an annex to the registration document. Others, on the other hand, detail all the pillars and topics of the NFS as set out in Article L. 225-102-1 of the Commercial Code as well as the policies and the associated key performance indicators. Furthermore, they may also compare these elements with benchmarks such as the GRI or the United Nations Global Compact or Sustainable Development Goals (SDGs).

CONCORDANCE BETWEEN ARTICLES R.225-104 *ET SEQ.* OF THE FRENCH COMMERCIAL CODE AND THE GRI-G4 INDICATORS

This Registration Document contains all the information referred to in Articles R.225-104 *et seq.* of the French Commercial Code.

Obligations under Articles R.225-104 *et seq.* of the French Commercial Code	Global Reporting Index GRI-G4	Pages of the Registration Document
NON-FINANCIAL INFORMATION STATEMENT (NFIS)		109-164
■ Business model	101 to 103	8-32
■ Main risks and policies	G4-1, G4-2, G4-15, G4-34, G4-36, G4-37 to 42, G4-48, G4-EN30, G4-EN31	89-107; 114; 150-153
■ Key performance indicators	102	112; 155-158
■ Consequences of climate change on the Company's business and use of its goods and services	G4-EN15 to G4-EN19, G4-EC2	129-140
■ Societal commitments to sustainable development	G4-1, G4-2, G4-15, G4-34, G4-36, G4-37 to 42, G4-48	110-114; 141-154
■ Circular economy	G4-EN23 to G4-EN25, G4-EN28, G4-EN1 to G4-EN10	112; 138-139
■ Actions to prevent food waste and insecurity		135; 161
■ Respect for animal welfare		161
■ Responsible and sustainable food production and fair food trade		161
■ Collective bargaining agreements and their impact on financial performance and employees' working conditions	G4-11, G4-LA4, G4-LA8	126
■ Respect of human rights	G4-LA3 and G4-LA13, G4-56 to G4-59, G4-SO3 to G4-SO5, G4-HR3 to G4-HR6, G4-HR11	115-128; 147-153
■ Prevention of discrimination	G4-LA3, G4-LA12, G4-LA13, G4-HR3 to G4-HR6, G4-HR11	116-117

Source: Nexans registration document

The European Securities and Markets Authority (ESMA), in its 2019 ECEP recommendations,[30] has indicated that it is in favour of improved accessibility to non-financial reporting. In this regard, it is supporting initiatives to improve the investor's understanding of the issuer's non-financial performance. It therefore highlights the good practice by some companies of using CSR cross-reference tables.

[30] See §9 of ESMA's 2019 European Common Enforcement Priorities (ECEPs) in annex 2.

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Clear and accurate cross-references within the non-financial information statement are important when certain information is reported in a separate chapter.

Developing an accurate and comprehensive cross-reference table ensures that the non-financial information statement complies with legal provisions.

USEFUL REFERENCES

§3.3 of the European Commission's guidelines on non-financial reporting, June 2017

§9 of ESMA's 2019 ECEPs

1st recommendation updated in the AMF's 2016 Report ("Information formats »)

3.1.2. Conciseness of the non-financial statement

The transposition of Directive 2014/95/EU into French law marks a turning point in the way we think about the disclosure of non-financial information. The former provisions of the Grenelle 2 decree focused on 42 items[31] for which information was expected.[32] As explained above, the focus is now on materiality, and companies are invited to provide information that is relevant to the company's main risks or policies. The supplement to the European Commission's guidelines provides useful explanations on the concept of materiality. It points out that the concept of materiality can be considered from two perspectives: a financial materiality (i.e. any factor that must be taken into account to understand the development or performance of a company) and/or an environmental and social materiality (i.e. any factor that must be taken into account to understand the external impacts of a company).[33]

Consequently, if completeness is replaced by materiality, it is a natural expectation that the amount of non-financial information disclosed will be more concise – at least, that is the spirit of this text. Thus, according to the European Commission: *"The non-financial statement is [...] expected to be concise, and avoid immaterial information"* insofar as *"disclosing immaterial information may make the non-financial statement less easy to understand since it would obscure material information"*.[34] However, analysis of the NFS of the 24 issuers in our sample seems to show that their implementation remains difficult and that the volume of information published has increased.

- *Less voluminous reporting?*

Among the companies in the sample, 58% have a section dedicated to the NFS in their 2018 registration document that is longer than the section dedicated to CSR information in the 2017 registration document. However, the paradigm shift that the NFS involves suggested that reporting would be more concise. More specifically, this

[31] The list has been maintained in the Commercial Code (R. 225-105), but this information is only required in the non-financial information statement if it is relevant to the main risks identified.

[32] See Article 1 of Decree 2012-557 of 24 April 2012 on corporate transparency requirements in social and environmental matters.

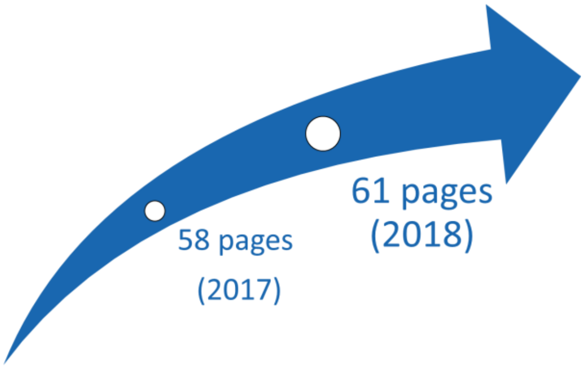
[33] §22 of the guidelines on non-financial reporting: supplement on climate-related information, June 2019.

[34] See §3.3 of the European Commission's guidelines on non-financial reporting, June 2017.

increase was minimal for some (two to three pages for three issuers) but, for others, was significant (more than 25 pages for three other issuers).

On average, the number of pages in the section dedicated to non-financial information (i.e. from CSR in 2017 to the NFS in 2018) increased by three, from 58 to 61 pages.

It is interesting to note that some issuers automatically reduced the number of pages of their NFS by distributing the information expected under Article L. 225-102-1 of the Commercial Code over several chapters of the registration document, as mentioned above.



There continues to be some disparity in the volume produced between issuers. For example, the longest NFS extends to 112 pages, while another issuer only required 15 pages. Without in any way prejudging the quality of the non-financial statement due to its length, it should be pointed out that an overly detailed NFS may contain irrelevant information, while an overly brief one may be incomplete.

This observation that the volume of non-financial reporting is continuing to increase is consistent with that of a joint study by the Medef, EY and Deloitte[35] on a sample of 102 French issuers. The study also highlights an increase in the average number of pages (+3 between 2016 and 2018).

- *Non-financial information covered by the NFS that is combined with other sustainable development issues, thus increasing the volume of non-financial reporting*

The increase in the size of the NFS may be explained by the fact that issuers do not only follow the non-financial reporting requirements contained in the regulations but also extend their scope to other aspects of sustainable development.

For example, approximately 20% of the issuers in the sample extend the content of their reporting to other issues beyond the non-financial risks considered material. They do not focus solely on risks and their materiality, but more generally address opportunities related to their business model and their commitments to sustainable development.

[35] See the Deloitte, EY and Medef study: *Assessment of the Implementation of the NFS*, July 2019.

Source: Sanofi registration document

This additional information not required by the Commercial Code comes from a difference between the European Directive and its transposition into French law. As noted above (see 2.1.3), it appears that the Commercial Code considers the policies implemented with regard to the non-financial risks identified by the company, whereas Directive 2014/95/EU also considers these policies as opportunities related to the issuer's business model. This dichotomy between an "opportunities" and "risks" vision may have been, for some issuers, a source of potential confusion when preparing their non-financial statement. Consequently, issuers, wishing to reconcile these two visions, have included in their NFS other non-financial information that is more in line with the philosophy of the European directive and focused on opportunities.

This additional input of non-financial information is also due to a desire to meet the expectations of certain stakeholders whose scope does not necessarily cover only that of the NFS. During the bilateral interviews conducted for this report, issuers drew attention to the twofold requirement placed on them in terms of non-financial reporting: they must ensure concise reporting while meeting investors' expectations, who generally use the services of rating agencies.

- *Producing separate reports for stakeholders*

In contrast to the situation mentioned above, other issuers tend to extract non-financial information from their NFS by making cross-references to separate reports (for example, integrated reports or CSR reports). These reports meet the requirements of stakeholders while ensuring the conciseness of the non-financial reporting presented in the NFS. **Nearly half of issuers include a cross-reference in their NFS to a separate report not included in the registration document.** Most of the time, this will be an integrated report, a CSR report or a report on a specific topic (e.g. climate) that provides an in-depth look at the topics covered in the NFS.

These separate reports are directed at stakeholders, in particular rating agencies, which require a certain amount of data for their analyses. In the sample, 92% of issuers report that they have been evaluated by non-financial rating agencies. The main agencies mentioned are Vigeo-Eiris, EcoVadis, CDP, ISS-Oekom, Sustainalytics, RobecoSAM and MSCI.

Major groups, in particular, reported that non-financial rating agencies and NGOs each have their own questionnaires and analyses that go beyond the NFS, thereby increasing the workload of issuers and making the objective of conciseness required by the non-financial statement more difficult. It would appear that distinguishing between different documents is an approach that supports the conciseness of the non-financial statement while meeting the need of certain stakeholders for more granular information.

Source: Total's website

The small and medium-sized companies interviewed[36] stressed the difficulty they have in reconciling compliance with regulatory requirements and the expectations of their key account clients. As part of their own non-financial reporting, these key accounts may ask small and medium-sized companies to collect specific indicators. These may not be very tangible for these companies, and the cost of collecting them may be significant.

The practice is recommended by the Commission, which states that *"the non-financial statement may include cross-references [...] in order to be concise, limit repetition and provide links to other information"*.[37] However, this must be done sparingly to avoid too much fragmentation when reading and especially to prevent material information from being omitted in the NFS. The Commission also states in its guidelines that *"cross-referencing and signposting should be smart and user-friendly, for instance, by applying a practical rule of 'maximum one click out of the report'"*.[38]

The AMF, in line with an observation already made in its 2016 CSR report, is calling for a more concise approach to the NFS.[39] The European Commission also encourages issuers to focus on material information in their non-financial statement. It already defined material information in 2013 as *"the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar items"*.[40] The non-financial directive adds a further aspect about the character of material information: *"to the extent necessary for an understanding of the [...] impact of (the company's) activity"*.[41] The impact of the company's activity is therefore an important consideration in terms of its "materiality".

[36] This was particularly the case during the first edition of the SME Forum organised by the AMF on 18 June 2019, during which discussions focused on CSR issues.

[37] See §3.3 of the European Commission's guidelines on non-financial reporting, June 2017.

[38] See footnote (1) to §3.3 of the European Commission's guidelines on non-financial reporting, June 2017.

[39] *"The increasing volume of non-financial information should lead companies to focus on approaches that aim to simplify and enhance the relevance of this information. They may have to work on the brevity of their messages and on their selection of indicators"*, 1st new recommendation of the AMF's 2016 Report ("Increase the relevance of non-financial information").

[40] See Article 2(16) of the Accounting Directive 2013/34/EU of 26 June 2013.

[41] See Article 1(1) of Directive 2014/95/EU of 22 October 2014.

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In order to fully comply with the spirit of the non-financial information statement, **it is important to support the conciseness of the non-financial information statement by limiting it to those subjects that the company considers material**.

The use of materials other than the non-financial information statement, such as digital materials, may be considered to meet the requirements of certain stakeholders, resulting in the publication of information that the company does not consider material.

USEFUL REFERENCES

§3.3 of the European Commission's guidelines on non-financial reporting, June 2017

§2.2 of the guidelines on non-financial reporting: supplement on climate-related information, June 2019

§5 of ESMA's 2019 ECEPs

1st new recommendation of the AMF's 2016 Report ("Increase the relevance of non-financial information")

3.1.3. Linking non-financial information with other regulatory requirements

- ☐ *Link between the NFS and the section in the prospectus on risk factors and pursuant to the Prospectus 3 Regulation*

Please refer to section 3.2.2 and annex 5.

- ☐ *Duty of Care*

The essential elements of the NFS and those relating to other regulatory texts may be combined. This is particularly the case with the Duty of Care Law, which, in its Article 1,[42] stipulates that the company must include in its duty of care plan *"[...] reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, health and safety of persons and the environment [...]"*.

The scope of application of these two texts is not identical (see 2.1.4) since, as part of the duty of care, subcontractors or suppliers with whom an established commercial relationship is maintained are also part of the parent company and the entities it controls. The linkage between the content to be published under these two texts is therefore often a source of confusion for companies. The analysis of the NFS of the companies in the sample together with the interviews conducted with some issuers highlighted the difficulty in ensuring that these two requirements are met within the registration document. However, despite a difference in the scope of application, the requirements of the two texts may overlap. For example, the European Commission's guidelines indicate that *"companies should provide material disclosures on due diligence processes implemented, including, where relevant and proportionate, on its suppliers and subcontracting chains"*.

[42] See Article 1 of Law 2017-399 of 27 March 2017 on the duty of care of parent companies and ordering companies.

Among the issuers in the sample required to publish their duty of care plan, 59% of them decided to include this plan in their NFS, sometimes at the expense of repeating non-financial information or confusing the information relating to one or other of the texts. In cases where the NFS and duty of care plan are merged, it was noted as good practice that some companies explicitly identify to which text a particular piece of non-financial information relates, by using acronyms or pictograms, for example. This practice also allows the company to justify its completeness in terms of regulatory requirements in the form of a document serving as an annual financial report. The European Commission has also issued a recommendation to this effect in its guidelines, stating that *"the non-financial statement may include cross-references [...] in order to be concise, limit repetition and provide links to other information"*.[43]

Catégorie	Domaines ou activités concernés	Règlementations	Description
Social et sociétal	Politique de prix	DPEF	Risque que notre politique de prix ne soit pas en ligne avec les attentes de certaines parties prenantes et/ou du marché et mette en cause notre engagement social auprès des patients et du système de santé.
	Qualité des produits(*)	DPEF	Risque de non-respect des exigences des règles de bonnes pratiques (BPC, BPL, BPF, BPD & BPPV) ou d'autres exigences réglementaires applicables relatives à la qualité du produit de santé tout au long de son cycle de vie.
	Sécurité des produits pour les patients et consommateurs(*)	DPEF et DV	Risque de manquement en matière de sécurité des produits, entre la première administration d'un composé chez l'homme dans le cadre d'études cliniques et la fin du cycle de vie du produit.
	Ethique médicale et bioéthique(*)	DPEF	Risque de manquement aux normes et aux principes d'éthique indispensables à une pratique responsable des activités scientifiques et médicales de Sanofi.
	Biopiraterie(*)	DV	Risque de ne pas respecter la souveraineté des États et la propriété intellectuelle des communautés autochtones lors de la délivrance de brevets et de la commercialisation de ressources endémiques identifiées dans le cadre d'activités de bio-prospection des pratiques et des savoir-faire traditionnels.
	Protection des données personnelles(*)	DV	Risque de compromettre l'intégrité, la confidentialité ou la disponibilité de données personnelles.
	Santé et sécurité des employés(*)	DV	Risque de ne pas fournir un environnement de travail sûr et de causer un préjudice à des employés, des fournisseurs ou des sous-traitants avec des conséquences immédiates ou futures sur la santé.

Source: Sanofi registration document

For the remaining 41% of issuers that reported on their duty of care plan outside the NFS, the format has the advantage of making it easier to read the non-financial statement. However, this has sometimes resulted in the NFS itself being of a lower quality, as in this case, and in order to avoid repetition, it does not deal with information relating to the respect for human rights and fundamental freedoms.

☐ *Anti-corruption law (Sapin 2 Law)*

Confusion exists to a lesser extent with the Sapin 2 Law on transparency, anti-corruption and economic modernisation. This is due in particular to the fact that anti-corruption is also one of the pillars of the European Directive adopted up by Article L. 225-102-1 of the Commercial Code, which governs the non-financial statement for companies listed on a regulated market.

[43] See §3.3 of the European Commission's guidelines on non-financial reporting, June 2017.

The AMF draws the attention of the issuers concerned to the fact that the provisions of Article 17 of the Sapin 2 Law are more restrictive firstly in terms of the reporting format, since they require eight specific measures that companies must implement, and secondly in terms of the applicable scope, since clients, first-tier providers and intermediaries must be assessed as part of evaluation mechanisms. We also refer companies to the website of the French Anti-Corruption Agency (https://www.agence-francaise-anticorruption.gouv.fr/fr) for further information on the legal requirements for anti-corruption measures.

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In cases where non-financial reporting is not limited to compliance with legal obligations alone but deals more generally with issues of sustainable development or corporate social responsibility that are not material, it is important that the content published as part of the non-financial information statement be clearly identified.

The use of other documents may be considered to detail specific non-financial topics that are not material.

Similarly, the link with other regulatory requirements is useful if it does not undermine the consistency and readability of the non-financial information statement. For example, all or part of the information relating to the duty of care may be included, provided that its respective components are clearly identified.

USEFUL REFRENCES

§3.3 of the European Commission's guidelines on non-financial reporting, June 2017

§9 of ESMA's 2019 ECEPs

1st recommendation updated in the AMF's 2016 Report ("Information formats »)

3.1.4. Reporting period and scope

Article L. 225-102-1 IV of the Commercial Code stipulates that companies subject to the thresholds requiring the drafting of an NFS are *"required to publish a consolidated non-financial statement [...]"*.[44] The scope covered by the NFS is therefore that of the consolidated financial statements.

- *Reporting period*

Companies generally prepare their reports for the period from 1st January to 31 December of year N. For practical reasons, some companies state that they compile the data prior to 31 December. For example, one company (AXA) states that *"data for the remaining months (6 months maximum) is then estimated in accordance with the methodology recommended by the Group"*. Such transparency about the reporting period helps to make the non-financial statement fairer and more accurate, as recommended by the European Commission in its guidelines. To meet this practical consideration, some companies (e.g. SODEXO) have chosen to use a reporting period from 1st October of year N-1 to 30 September of year N.

Finally, some companies have chosen to collect environmental data and social data over different periods. For example, one company (SOCIÉTÉ GÉNÉRALE) indicates that its social indicators are calculated for the period from

[44] See Article L. 225-102-1 II of the Commercial Code.

1st January to 31 December of year N-1 while its environmental indicators are calculated for the period from 1st October of year N-1 to 30 September of year N.

- *Variability in the scope covered by the reporting*

Due to the many difficulties detailed below, issuers have not consistently succeeded in preparing their reporting on a consolidated basis, nor on bases that are equivalent from one data area to another. The analysis of the NFS of all issuers in the sample highlighted the challenge for them in reporting using a clear, accurate and consolidated scope.

The overall level of transparency regarding the reporting scope would benefit from improvement. Firstly, 21% of issuers did not describe in a single section details of the scopes used, making it difficult to understand them. Furthermore, issuers use very heterogeneous terminology: group, group with subsidiaries (owned at varying percentages), some or all of the sites belonging to the group, proportion of full-time equivalents (FTEs), particular geographical areas, etc.

While 100% of the issuers in the sample provide relatively detailed information on the scope of their reporting, this never applies to the consolidated financial statements in their entirety. In all cases, the scope covered by the NFS excludes a certain number of entities, whether at the level of overall reporting or with regard to certain types of data. The exclusion of certain entities of the consolidate perimeter may be due to their small size, the delayed integration of new acquisitions, the recognition or non-recognition of joint ventures, the very wide range of business sectors in which the issuer operates or the existence of subsidiaries operating in countries where data collection is less straightforward. All these exclusions complicate the reading and understanding of the scope used. Where appropriate, it is good practice to explain and justify these exclusions, which is very rarely done. As the European Commission points out: *"The non-financial statement should give fair consideration to favourable and unfavourable aspects, and information should be assessed and presented in an unbiased way."*[45] ESMA also made a recommendation on this subject in 2019.[46] Issuers are also invited to consider reporting on a larger perimeter depending on their business model (integration of joint ventures, licensed entities or sub-contracting chains).

For example, one company (CRÉDIT AGRICOLE SA) specifies, with regard to its environmental reporting, that *"a cut-off threshold has been implemented to overcome the difficulties of collecting information on entities <100 FTEs (nevertheless, excluding these entities allows more than 80% of the workforce to be covered by the scope of financial consolidation)"*. In this example, the company specifies how much of the scope is ultimately covered despite certain entities being excluded, echoing the European Commission's recommendation that *"a company should explain the scope and boundaries of the information disclosed, in particular when certain information relates only to one or several of its segments, or excludes specific segments"*.[47]

One company states that it has defined nine different scopes of reporting for the social pillar because of the existence of five different types of businesses within its group.

[45] See §3.2 of the European Commission's guidelines on non-financial reporting, June 2017.

[46] See §7 of ESMA's 2019 European Common Enforcement Priorities (ECEPs) in annex 2.

[47] See §3.2 of the European Commission's guidelines on non-financial reporting, June 2017.

Coverage rates of HR reporting indicators in 2018

To take into account the various challenges faced by the business segments as well as local constraints, human resources reporting currently has nine different types of scope:

- **Global (1),** which covers 100% of the workforce. In 2018, 13.8% of indicators had this scope;
- **Global excluding Bouygues Telecom Services, aufeminin, Gamned! and Doctissimo (2),** which covers 99.3% of the workforce. In 2018, 6.9% of indicators had this scope;
- **Global excluding Alpiq Intec, Kraftanlagen (3),** which covers 94.8% of the workforce. In 2018, 3.4% of indicators had this scope;
- **Global excluding occasional workers, Alpiq Intec, Kraftanlagen, aufeminin, Gamned! and Doctissimo (4),** which covers 94.4% of the workforce. In 2018, 17.2% of indicators had this scope;
- **France excluding Gamned! (5)** which covers 53% of the workforce. In 2018, 3.4% of indicators had this scope[a];
- **France excluding aufeminin, Gamned! and Doctissimo (6),** which covers 52.7% of the workforce. In 2018, 34.5% of indicators had this scope;
- **France excluding Newen, Neweb, Play Two and Bonzaï Digital (7),** which covers 52.6% of the workforce. In 2018, 3.4% of indicators had this scope;
- **Non-France companies with more than 300 employees excluding Miller McAsphalt group, Alpiq Intec and Kraftanlagen (8),** which comprise 47 firms representing 28.9% of the Group headcount and 60.5% of the international workforce. In 2018, 6.9% of indicators had this scope;
- **France companies and non-France companies with more than 300 employees excluding Alpiq Intec, Kraftanlagen, Miller McAsphalt group, aufeminin, Gamned! and Doctissimo (9),** which cover 81.6% of the workforce. In 2018, 10.3% of indicators had this scope.

Source: Bouygues registration document

Another company clearly states that it has excluded certain joint ventures from the scope of reporting and provides detailed explanations.

THE EXCLUSIONS FROM THE CSR REPORTING *VERSUS* THE FINANCIAL REPORTING

The scope of reporting does not include joint ventures with other car manufacturers accounted for using the equity method, due to the lack of exclusive control:

- TPCA (Toyota Peugeot Citroën Automobiles), located at Kolín in the Czech Republic, in a joint venture with Toyota;
- DPCA (Dongfeng Peugeot Citroën Automobiles), at Wuhan in China, in a joint venture with Dongfeng Motor Corp.;
- CAPSA (Changan PSA Automobiles), at Shenzhen in China, in a joint venture with China Changan Automobiles;
- Sevelsud, at Val Di Sangro in Italy, in a joint venture with Fiat;
- Uzbekistan Peugeot Citroën Automotive, at Jizzakh, in a joint venture with SC Uzavtosanoat.

In these joint ventures, the Group exercises its role as shareholder and industrial partner in a commitment to supporting each venture's long-term development.

The joint ventures report their CSR data at different levels, depending on the management structure in place with the industrial partner.

In 2007, at the Group's initiative and with the agreement of co-shareholder Dongfeng Motor Corp., DPCA published its first Sustainable Development Report – the first such report ever prepared by a car manufacturer in China.

Source: Peugeot SA registration document

Finally, another company reports not only that the implementation of the social reporting tool has had an impact on data consolidation, but also gives an indication of the future improvement of this coverage rate.

Number of training hours per employee	2018	2017	2016
over the Group	NA (1)	29.6	28.7
over Orange SA	30.4	33.0	31.9

(1) Due to the ongoing deployment of the *Orange Learning* Group tool in the international subsidiaries, the data for the 2018 financial year are disclosed on the Orange SA scope, covering 54% of the Group's consolidated workforce. Group 2018 data will be published during the communication of the next financial year.

Source: Orange registration document

While the choice of the scope of reporting is left to the discretion of the issuer, depending in particular on its constraints and choices, it seems essential for the reader that greater transparency be provided on the content and limits of the scope covered, in order to convey an accurate picture of the company's business. It may therefore be appropriate to dedicate a section of the non-financial statement to this purpose.

More specifically, and beyond the general approach adopted by the company regarding the scope of reporting of the non-financial statement, the scope of the data disclosed is often very variable, and 83% of issuers expressly indicate that the scope of reporting varies according to several factors:

- **Variation in the scope covered depending on the topic covered:** Social, environmental and societal data have, for the majority of issuers, different scopes in relation to one another. The analysis revealed the widespread practice of not including small sites or subsidiaries in environmental data. By contrast, social data is consolidated most of the time. The lack of justification for the use of variable scopes depending on the topic covered negatively affects the consistency and readability of the NFS.

  It should also be noted that some issuers do not categorise their non-financial data by type (for example, by topic, i.e. environmental, social and societal). However, such a classification allows the reader to have a clear overview of the chosen scopes for the data used.

- **Variation of the scope within the same data topic:** Even if the issuer defines a scope for one of the topics covered, they may have different coverage rates. One data area (e.g. training time) may cover a different percentage of the workforce compared with another data area from the social category (e.g. hirings and layoffs). In addition, different units are used to express the coverage rate: percentage of revenue, percentage of entities that qualify for reporting, percentage of employees, etc.

  This practice is explained in particular by the difficulty of collecting data at the local entity level, as indicated by the companies interviewed for this report. If necessary, it may be appropriate to specify the coverage rate of the data in question, for example via a note.

Reporting methodology

An assessment of the social, environmental, societal, business conduct and human rights impacts of the Group's activities has enabled the appropriate performance indicators to be defined in accordance with the requirements of the French Commercial Code.

Scope of social indicators

The social data provided for in Section 7.1 are collected from 315 active entities of the AXA Group, all included in the consolidation scope of AXA (*i.e.* fully consolidated for the preparation of the consolidated financial statements as of December 31, 2018, in other words, the subsidiaries in which AXA holds, directly or indirectly, management control). Except for a few entities which may pre-consolidate data on a local level, the social indicators are consolidated at Group level.

The scope corresponds to legal entities (companies and/or organizations) which AXA owns, as of the end of year, directly or indirectly with at least 50% of the capital or voting rights. This scope is updated annually following potential acquisitions/mergers or business disposals. 315 active legal entities reported their 2018 social data. Therefore the subsidiaries that were financially consolidated during the reporting year or whose employees were incorporated during the reporting year are included in the 2018 scope (*e.g.* XL Group).

Scope of environmental indicators

The environmental data provided for in Section 7.3 "Own operations" are collected from 81 entities, in accordance with the same rules used to define the scope of the social indicators (*i.e.* subsidiaries that are consolidated using the full consolidation method as at December 31, 2018). AXA sites with fewer than 50FTEs are not included in the data collection, but are part of an extrapolation process. In 2018, environmental indicators were collected for 101,977 FTEs working on AXA sites (unless otherwise indicated) and were then extrapolated, continent by continent, to cover all 124,355 salaried FTEs (all types of contracts, including XL Group, for which FTE data was included on a pro-rata basis for Q4 2018) working at AXA Group in average in 2018.

Section 7.3 also describes the manner in which AXA strives to integrate environmental issues into our business, as an insurer and an investor. The perimeter of our responsible investment strategy (which includes climate finance) covers our General Accounts assets, while our climate-related insurance activities cover essentially our P&C Commercial lines business.

Scope of societal indicators

Our Community Investment Survey, as described under Chapter 7.4, covers 73% of AXA's FTEs.

CONSOLIDATION METHOD AND GUIDELINES

For the scopes defined above, indicators are 100% consolidated, unless otherwise indicated. In order to develop its CR Strategy and disclose its non-financial performance, AXA voluntarily complies with some international guidelines as specifically indicated in the relevant paragraphs of this Chapter 7. These guidelines include for example the Greenhouse Gas Protocol (ghgprotocol. org) for CO_2-related KPIs. Other guidelines are highlighted where appropriate.

Source: Axa registration document

	2016	2017	2018	2020 objective
Percentage of spending reinvested locally	84.8%*	85.4%**	85.7%	Maintain the percentage of spending reinvested locally above 80%

* *These geographic areas accounted for 68% of Group revenue in 2016.*
** *These geographic areas accounted for 70.6% of Group revenue in 2017.*

Source: Veolia registration document

- *Changes over time in the scope covered by the reporting*

Changes in the scope from one year to the next also deserve particular attention because, as the European Commission more generally points out, *"the content of the non-financial report should be consistent over time"*.[48] Accordingly, increases or decreases in scope resulting from the acquisition, merger or disposal of entities are not always taken into account in year N of the non-financial reporting, unlike in the accounting period.

For some issuers, the integration of new entities can take up to three years (for example, at LEGRAND). Similarly, it seems important to clearly explain the company's approach.

48 See §3.6 of the European Commission's guidelines on non-financial reporting, June 2017.

Scope of consolidation

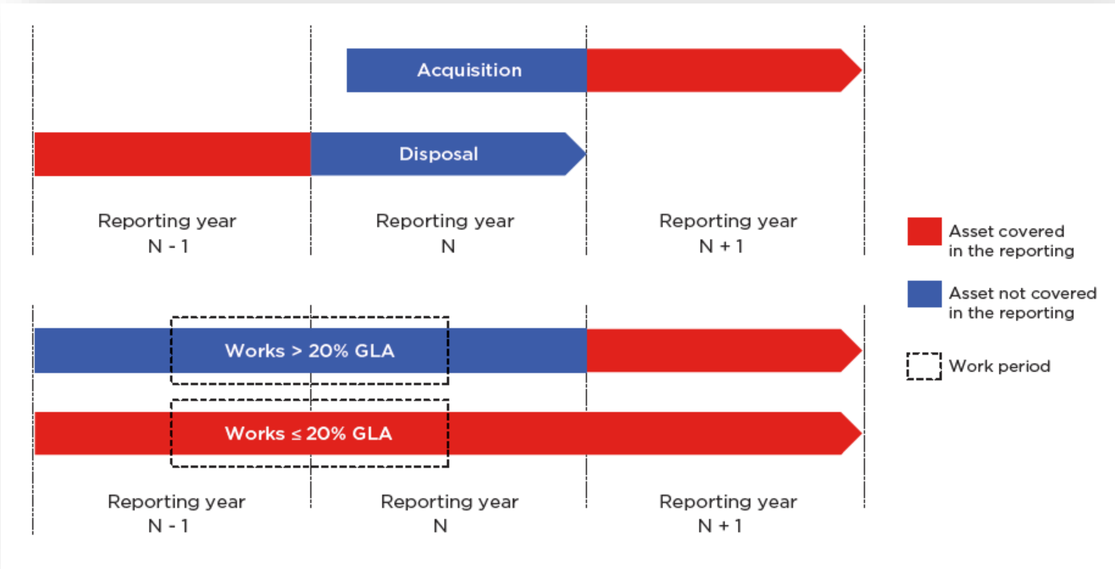
Indicators generally include all entities which are fully consolidated for financial reporting purposes, with the following exceptions:

- a new country added during the fiscal year is included in the reporting scope in the following fiscal year; and
- acquired entities are included as from the date of acquisition.

Additional restrictions may be applicable and are specified in the section below.

One company in particular has chosen to illustrate its methodology concerning acquisitions and disposals because it has to deal with them on a regular basis as part of its activities.

Source: Sodexo registration document



Source: Mercialys registration document

In its 2016 report on social, societal and environmental responsibility, the AMF already recommended that *"the scope of the information be defined and stated as coherently and consistently as possible from one year to the next. This in no way rules out a particular focus on social and/or environmental matters in one or several subsidiaries, if the company considers that this information is particularly important and ought to be brought to the knowledge of the public."*[49]

Similarly, ESMA recommends in its 2019 European Common Enforcement Priorities (ECEPs) that the non-financial statement should not be limited to presenting positive points but should also present the limitations encountered during its preparation.[50]

[49] See 3rd recommendation reiterated in the AMF's 2016 Report ("Scope of information »).

[50] See §7 of ESMA's 2019 European Common Enforcement Priorities (ECEPs) in annex 2.

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Issuers must comply with the legal provisions set out in Article L. 225-102-1 IV concerning the publication of a non-financial information statement based on the scope of the consolidated financial statements. Issuers are also invited to consider reporting on a larger perimeter depending on their business model (integration of joint ventures, licensed entities or sub-contracting chains).

In cases where part of the consolidated scope cannot be covered, it is good practice to explain and justify these exclusions.

In order to provide fair and accurate information, **it is also important to clearly indicate changes in the scope of consolidation relating to non-financial reporting data**.

USEFUL REFERENCES

§3.2 of the European Commission's guidelines on non-financial reporting, June 2017

3rd recommendation reiterated in the AMF's 2016 Report ("Scope of information »)

3.1.5. Reporting methodology

☐ *Transparency of methodologies*

In its guidelines, the European Commission states that *"Information can be made fairer and more accurate through [...] robust and reliable evidence, internal control and reporting systems [...]"*.[51] In order to demonstrate the robustness and reliability of the data, it therefore seems essential to provide information on the methodology/methodologies used, particularly with regard to data collection. The European Commission's recommendation states that *"companies may explain data collection, methodology and the frameworks relied upon"*.[52]

Of the issuers in the sample, 88% explain how their data was collected. As the AMF's 2016 report already highlighted, this practice is tending to spread among French issuers. Nevertheless, the practices vary. While 79% of issuers have a methodology note, the subject is sometimes dealt with quite briefly. Methodology notes provided by issuers may deal with the:

- Identification of non-financial data collection and control processes (L'OREAL);
- Scope of reporting;
- Definitions and/or calculation methods used for certain indicators;
- Potential methodological limitations.

The use of these notes summarising the methodological information should be encouraged because they allow the preparation of the non-financial statement to be situated in the company's specific context. On important topics such as headcount, definitions can also vary from one company to another (for example, taking into account permanent or temporary employees) and therefore have a significant impact on the scope of reporting. The

[51] See §3.2 of the European Commission's guidelines on non-financial reporting, June 2017.

[52] See §4.5 of the European Commission's guidelines on non-financial reporting, June 2017.

recommendation repeated by the AMF in 2016 is therefore still valid and companies are encouraged to present the way in which they identify, collect and consolidate non-financial information, and the limits associated with such data collection (in the form of a methodology note, for example).[53]

4.6.2. DATA COMPILATION METHODOLOGY FOR SOCIAL INDICATORS

Social indicators are presented in section 4.5. "Environmental and social indicators – CSR concordance tables".

The Group's social data is tracked, analyzed and consolidated by the Group Human Resources Department as follows:

- Quantitative social data is compiled in each country or entity on a quarterly basis via an internal data system and is then accessed using a business intelligence system. The data compilation process is subject to internal consistency checks. Data on health and safety is analyzed jointly with the Industrial Management Department. Headcount data is reconciled with the figures reported in the Finance Department's system and discussions may take place between the head office and the entities concerned in relation to other data.
- Qualitative social data is compiled both quarterly – via the internal system – and annually, through a questionnaire sent to each of the Group's countries. Discussions may take place on the information provided in this questionnaire in order to obtain further details and to fine-tune snapshot analyses of the Group's HR situation.

The scope of consolidation for the social data covers companies that are over 50%-held by the Company, either directly or indirectly. 2018 was the first year that Nexans Industry Solutions (Denmark) was covered in reporting.

The Group's reporting process is based on a pre-defined timeline that is reiterated in the guide on definitions of the Group's social indicators which is sent at the beginning of each year to all contributors to the Group's HR reporting process.

If an error is brought to the attention of the person in charge of the Group's reporting process, only he or she can make the necessary changes. If an indicator has already been officially published (Management Report), it will not be amended after the fact in subsequent publications (comparison table). However, a footnote will be added for the indicator showing the change and the reason for it.

Definitions of HR indicators:

- **Headcount:** This indicator includes employees who have an employment contract with the Group (permanent or fixed-term contracts, people on work placements, and employees whose employment contracts have been suspended).
- **Absenteeism rate:** This indicator is calculated based on the ratio of the number of hours' absence compared with the theoretical, contractual number of hours worked. The number of hours' absence includes absences for illness, work accidents or commuting accidents, maternity leave and unauthorized absences. It does not include absences that are longer than six months.
- **Workplace accident frequency and severity rates:** These indicators are calculated based on the actual number of hours worked, the number of workplace accidents with more than 24 hours of lost time and the number of calendar days lost due to workplace accidents. The frequency rate also takes into account fatal accidents when they occur. Note: This data is for Nexans employees and subcontractors.
- **Training hours:** The number of training hours includes hours of training delivered both at or outside Nexans sites. It does not include training taken outside working hours.

A number of calculation formulae are provided below the table on social indicators provided in section 4.5. "Environmental and social indicators – CSR concordance tables".

<u>Source</u>: Nexans registration document

Furthermore, with a view to this data being used by other players, primarily non-financial rating agencies and investors, it seems useful to provide information on how the main indicators have been developed so that these players can compare the data from one company to another with full knowledge of the facts.

- *Uncertainties related to methodologies*

Of the issuers surveyed, 38% reported uncertainties related to the methodologies used to calculate key performance indicators. The issuers interviewed in the course of preparing this report confirmed that they had difficulties in collecting or calculating their data.

These uncertainties most often relate to the scope of greenhouse gas emissions, the practical arrangements for collecting information or the absence of internationally recognised definitions (for example, concerning the definition of an employment contract, which varies from one country to another).

It therefore seems essential to communicate the uncertainties related in particular to the methodologies for calculating non-financial data, by recognising that they are possible (example 1) or by detailing them precisely (example 2). The European Commission also indicates in its guidelines that particular attention should be paid to

[53] 2nd recommendation reiterated in the AMF's 2016 Report ("Methods used to present information")

this point: *"A company should explain the scope and boundaries of the information disclosed, in particular when certain information relates only to one or several of its segments, or excludes specific segments."*[54]

Example 1

METHODOLOGICAL PRECISIONS AND LIMITATIONS

Reporting on certain indicators may have limitations due to:

- the absence of nationally and/or internationally recognized definitions, in particular concerning the different categories of employment contracts;
- the necessary estimates, the representativeness of the measurements made or the limited availability of external data required for calculations;
- the practical procedures for collecting and entering this information.

Therefore, whenever possible, definitions, methodologies and, where applicable, the associated margins of uncertainty are specified for the concerned indicators.

Source: Axa registration document

Example 2

Remarks concerning the level of uncertainty depending on the scope in question:

Scopes 1 and 2: The level of uncertainty at the Group level is approximately 1% for plants and distribution centres, and 5% for administrative sites and research centres.

Scope 3: The highest level of uncertainty in a greenhouse gas assessment concerns the Scope 3 estimate in view of the number and nature of the data necessary for its calculation (emission factors for the energy used to heat the water necessary for the usage phase of our rinse-off products all over the world, the quantity of water necessary for rinsing off, CO_2 emissions of our raw materials and packaging suppliers, distances travelled for transportation, etc.).

Because measurement of the global CO_2 impact of the Group's activities is essential information in light of the commitments made to fight against climate change, efforts are made year after year to increase the reliability of these data. The level of uncertainty of the Group's Scope 3 emissions is estimated to be between 20 and 30%. This suggests that, unlike Scopes 1 and 2, the changes in Scope 3 emissions from one year to the next may relate more to the quality of the data collected and the methods of calculation used than to a real measurement of change in performance. This margin of uncertainty with regard to Scope 3 is a reality for all companies, and does not make it possible to consider this data as an adequate benchmark or method of performance assessment.

Source: L'Oréal registration document

This subject is addressed by the European Commission, which identifies in its guidelines the benefits of disclosing the methodologies used to calculate indicators: *"Understandability may [...] be enhanced by explaining key*

[54] See §3.2 of the European Commission's guidelines on non-financial reporting, June 2017.

internals of the information disclosed, such as measurement methods, underlying assumptions and sources."[55] This echoes the AMF's recommendation in 2016 that *"companies that use quantitative indicators define them clearly, describe how they are calculated"*.[56]

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A methodology note is important to describe the non-financial data collection process, the scopes used for the indicators, the calculation method and possibly a definition for the most important and/or technical indicators, changes to the methodologies used and any limitations associated with these methodologies.

USEFUL REFERENCES

§3.2 of the European Commission's guidelines on non-financial reporting, June 2017

§13 of ESMA's 2019 ECEPs

2nd recommendation reiterated in the AMF's 2016 Report ("Methods used to present information")

3.1.6. Frameworks used

The European directive and its French transposition provide considerable flexibility for companies to determine the relevant and useful non-financial information to be reported. This freedom may have left some issuers with uncertainty about what information to disclose. Recognised frameworks such as the Global Reporting Initiative (GRI) or the UN's Sustainable Development Goals can therefore be used to structure non-financial reporting.

- *Use of frameworks*

Almost all issuers in the sample (96%) refer to French, European or international reporting frameworks (see Annex 4). The European Commission itself, through its guidelines, encourages companies to use this type of reporting framework: *"[...] companies may choose to use widely accepted, high quality reporting frameworks, and this partially or in full compliance. They may rely on international, EU-based or national frameworks, and, if so, specify the framework(s) that they use."*[57]

↗ UN Sustainable Development Goals

The framework most frequently mentioned by the companies in the sample is the UN-developed Sustainable Development Goals (SDGs), which 79% of issuers refer to. This framework is relatively recent, dating only from 2015, and has rapidly gained popularity among public and private operators.

[55] See §3.2 of the European Commission's guidelines on non-financial reporting, June 2017.

[56] 2nd recommendation reiterated in the AMF's 2016 Report ("Methods used to present information")

[57] See Introduction section of the European Commission's guidelines on non-financial reporting, June 2017.

The use of the SDGs can be difficult for issuers in practice. This may be because the UN initially designed this set of goals to be used as a guide by countries when defining and implementing policies at the national level. Some topics are therefore particularly relevant at the macro-economic level (for example, Goal 16 on *"Peace, justice and strong institutions"*), and the targets associated with the goals are too political for private entities (for example, Target 7.3 relating to energy states *"double the global rate of improvement in energy efficiency by 2030"*). The translation of the SDGs for use at the company level therefore deserved particular attention in this study.

The companies in the sample most often refer to a few goals to which they consider they contribute in particular, while four issuers say they contribute to all 17 SDGs. On average, the companies in the sample refer to ten SDGs. SDGs 13 (climate change measures), 8 (recent work and economic growth) and 12 (sustainable consumption and production) are the most cited. According to a Novethic study published in September 2019 and analyzing all the companies of the SBF 120, the sectors of trade, energy, water, raw materials and services are the most mobilized in the use of this repository.

5.10.3 The Group's responsible procurement commitments

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Since 2010, TOTAL is a signatory to the French Economy and Finances Ministry's Sustainable Supplier Relations Charter, which aims to allow more sustainable and balanced relations between customers and suppliers.

Worldwide, a CSR global agreement monitoring Committee (known as the "FAIR Committee") meets every year in the presence of representatives who are members of trade unions affiliated with the IndustriALL Global Union and appointed by this federation to monitor and implement the agreement. It identifies good practice and areas for improvement. In application of the areas for improvement defined by this Committee, the programs mentioned earlier have already been set up: Suppliers Day, International Procurement Day and trainings in human rights for purchasers.

Since 2018, TOTAL has been a member of the United Nations Global Compact platform on Decent Work in Global Supply Chains, and, in this capacity, takes part in various workshops that aim to help the member companies of the Global Compact to make progress in this area. In December 2018, the Group committed to pursuing its efforts in terms of decent work and respecting human rights in its supply chain by signing the "Six Commitments" of the United Nations Global Compact.

The Group's buyers also take part in international working groups on responsible procurement. TOTAL is an active member of IPIECA's Supply Chain Working Group. Building on the workshops held since 2015, TOTAL continued to participate in the Operationalization of the UN Guiding Principles work organized by the IPIECA, aimed at both oil and gas companies and engineering, procurement and construction (EPC) contractors.

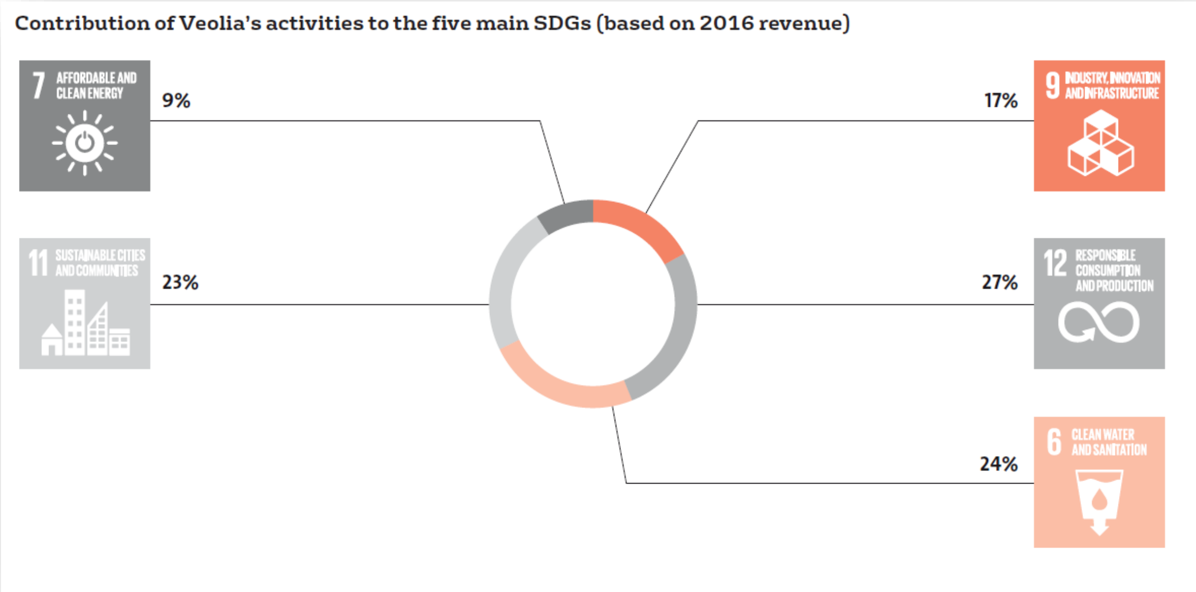
Finally, the Group pays special attention to the disabled and protected employment sectors. In France, the Group's purchases from this sector enabled the achievement of an indirect employment rate of nearly 1% in 2018. TOTAL is a member of the Pas@Pas association and provides its buyers with an online directory that can be used to identify potential suppliers and service providers (disabled or protected employment sectors) by geographical area and by category (refer to point 5.3.5.3 in this chapter).

<u>Source</u>: Total registration document

However, the way in which companies report their contribution to these goals varies significantly. While some companies report only that they contribute to the SDGs but provide no further details, some make an effort to link the main thrusts of their sustainable development strategy to the SDGs. Finally, some provide a finer level of granularity by specifying to which SDGs each of the policies implemented within the topics covered (environment, social, societal, etc.) contributes. For example, one company, within the topic of subcontracting and its suppliers, develops, for each of the four policies implemented, the extent to which these policies contribute to the SDGs.

It must be acknowledged that detailed explanations are valuable, particularly when they provide an understanding of the company's effective contribution to each of the SDGs within its scope. It is therefore particularly useful to highlight the links between the SDGs, the challenges they present and the policies pursued as a result. A simple mention of the SDG is not enough, as ESMA points out in its 2019 ECEPs.[58]

In this regard, one company in the sample provides interesting quantitative information to demonstrate its effective contribution to the SDGs that it has identified as relevant to its business. This graph is accompanied by a qualitative explanation of the SDGs that were not considered relevant. For example, regarding SDG 13 on Climate Action, this company indicates that it was not selected because *"the targets and associated indicators focus mainly on mobilising countries and less on the actions of non-governmental operators"*. This type of clarification provides a better understanding of the company's approach and provides an understanding of the evaluation exercise conducted in relation to the SDGs.



<u>Source</u>: Veolia registration document

It is interesting to note that the United Nations' Global Compact organisation has developed a set of tools[59] to guide companies in preparing their impact reports on the various Sustainable Development Goals. The organisation also plans to launch an interactive tool in early 2020 that will enable companies to assess the contribution their activities make to achieving the 17 SDGs.

↗ *Global Reporting Initiative*

Of the issuers in the sample, 67% refer, in particular, to the Global Reporting Initiative (GRI) and the different levels of compliance allowed under the initiative: maximum full, minimum full, and partial. However, the degree to which the GRI is used is not always specified by the issuer.

[58] See §14 et 15 of ESMA's 2019 European Common Enforcement Priorities (ECEPs) in annex 2.

[59] See in particular the report entitled *Integrating the Sustainable Development Goals into Corporate Reporting: A Practical Guide*, 2018

A good practice is to compare the GRI framework with the elements of the NFS, in the CSR cross-reference table, for example.

CROSS-REFERENCE TABLE

2018 Registration Document	Pages	Energy transition Law	SDG[1]	GRI - G4
Material CSR commitments and links with SDGs				
Identifying priorities and links with SDGs	39-43			G4-2; G4-24; G4-27; G4-26
Managing our CSR performance with FReD	43			G4-2; G4-24; G4-27; G4-44
A long-term commitment	44			G4-2; G4-15; G4-16
CSR governance	44			G4-2; G4-34; G4-35; G4-36; G4-37; G4-38; G4-39; G4-40; G4-48;
Promoting a culture of ethics				
Developing a Group-wide ethical dimension	45-47			G4-14; G4-49; G4-56; G4-58; G4-SO4
Establishing trust-based relationships with customers	47-49		16	G4-PR5
Establishing a committed tax policy	49-50			
Conducting a transparent lobbying policy	50			
Developing accessible finance				
Supporting all customers through good times and bad	51-53		1.4	G4-PR5
Contributing to economic and social dynamism in local regions	54-58		1, 2, 3, 4, 8, 9, 10, 11, 12	G4-EN27; G4-EC8; G4-LA15
Supporting the energy transition				
Larger ambitions	59	Title I Art. 1; Title I Art. 2; Title II Art. 3 and Art. 4; Title V	6, 7, 9, 11, 13	G4-EC2; G4-EN3; G4-EN5; G4-EN6; G4-EN7; G4-EN8; G4-EN15; G4-EN16; G4-EN17; G4-EN19; G4-EN27
A four-pronged climate strategy	59-64	Title I Art. 1; Title I Art. 2; Title II Art. 3 and Art. 4; Title V	6, 7, 9, 11, 13	G4-EC2; G4-EN3; G4-EN5; G4-EN6; G4-EN7; G4-EN8; G4-EN15; G4-EN16; G4-EN17; G4-EN19; G4-EN27
Assessing and managing climate risks	64-65		6, 7, 9, 13	G4-EN27; G4-2
Encourage taking into account ESG factors				
Investing responsibly	66-67		7, 8, 9	G4-EN27
Assessing and managing ESG risks in financing	67-68		6, 7, 8, 9, 13, 14, 15	G4-EN27
Promoting multi-efficient agriculture	68		2	
Protecting resources	69-70	Title IV	12, 15	G4-EN1; G4-EN2; G4-EN4; G4-EN23
Other disclosures	70			G4-33

<u>Source</u>: Crédit Agricole SA registration document

- Task Force on Climate-related Financial Disclosure (TCFD)

More than half of issuers (54%) mention the TCFD standard in their environmental reporting, but its use varies. Some issuers disclose information defined in the TCFD by analysing, for example, climatic scenarios and the resilience of their model to these scenarios. Others report only on the physical and climate transition risks as defined by the TCFD (see 3.2.6).

Several French actors have mobilized to facilitate the implementation of the recommendations of the TCFD by French issuers. For example, the ADEME (French Environment and Energy Management Agency) has developed the initiative ACT (Assessing Low Carbon Transition) to evaluate the climate strategies of companies, whatever their size or their markets, and to confront the requirements of a low carbon world. Listed in the Agenda of Solutions supported by the United Nations Framework Convention on Climate Change; the initiative provides methods to evaluate the alignment of a company's strategy with a decarbonization trajectory adapted to its activities in relation to its sector. Its ambition is to help companies communicate relevant information to the TCFD recommendations. More specifically, the MEDEF, the French Federation of Insurance (FFA) and the French

Association of Financial Management (AFG) have engaged in the autumn of 2017 a process of dialogue between industry and investors. The aim is to better integrate climate change risks and opportunities in the policies and reporting of companies and investors. This approach led to the joint definition of an operational climate reporting framework. This document, whose application is voluntary, draws heavily on the recommendations of the TCFD.

↗ Other initiatives

Finally, there are other frameworks that are used by a minority of issuers in the sample, such as those from the International Integrated Reporting Committee (IIRC) (21%), the Sustainability Accounting Standards Board (SASB) (13%), the International Petroleum Industry Environmental Conservation Association (IPIECA), etc.

In its guidelines,[60] the European Commission has listed national, European and international frameworks that may prove useful for issuers and from which it has drawn heavily in its recommendations. These include the following:

- CDP (formerly the Carbon Disclosure Project);
- Climate Disclosure Standards Board (CDSB);
- OECD Due Diligence Guide for Responsible Mineral Supply Chains from Conflict or High Risk Areas and its supplements;
- Strategic Reporting Guide of the United Kingdom's Financial Reporting Council;
- OECD Guidelines for Multinational Enterprises;
- Reporting framework consistent with the United Nations Guidelines on Business and Human Rights;
- International Organization for Standardization's ISO 26000 standard;
- Natural Capital Protocol;
- EU guides on Organisation Environmental Footprint and Product Environmental Footprint;
- Sustainability Accounting Standards Board.

Non-financial information

	GRI	Global Compact	Section of this Reference Document
Social and societal consequences, human rights, combating corruption and tax evasion			
Employment:		*#3 to 6*	
Total number of employees and breakdown of employees by gender, age and region	102-8		Chapter 3, section 3.1
Hires and redundancies	401-1		Chapter 3, section 3.1
Remuneration and changes in remuneration			Chapter 3, section 3.1
Work organization:		*#3 to 6*	
Organization of working time			Chapter 3, section 3.1
Absenteeism	403-10		Chapter 3, section 3.1
Health and safety:		*#1 to 6*	
Occupational health and safety	403-1 to 403-8		Chapter 3, sections 3.1 and 4.3
Work-related accidents, in particular frequency and severity, and work-related illnesses	403-9		Chapter 3, section 3.1
Labor relations:		*#3 to 6*	
Organization of social dialogue, procedures for informing, consulting and negotiating with employees	402-1		Chapter 3, section 3.1

Source: Kering reference document

[60] See Introduction section of the European Commission's guidelines on non-financial reporting, June 2017.

As shown by the previous example, some issuers have chosen to draw up a cross-reference table between the content of their non-financial reporting and the provisions of these various frameworks. This is particularly useful when the framework in question is provided. ESMA, in its 2019 ECEPs, also reminds issuers that they must explicitly indicate which frameworks they have used (whether national, European or international) and specify whether they have done so in whole or in part.[61] Finally, the Commercial Code (Article R. 225-105-1) specifies that *"when a company voluntarily complies with a national or international standard to fulfil its obligations in relation to the [Non-financial statement] [...], it shall state this by indicating which recommendations in this standard have been adopted and the procedures used for consulting it".*

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When an issuer uses a reference framework, **it is important to refer to the recommendations of this framework that have been adopted and the procedures used for consulting it**, in accordance with the provisions of Article R. 225-105-1 II of the Commercial Code.

Issuers are encouraged to illustrate and detail their commitment, whether in terms of the degree to which they follow the GRI guidelines or the effectiveness of the policies implemented to support the UN Sustainable Development Goals.

USEFUL REFERENCES

Introduction section of the European Commission's guidelines on non-financial reporting, June 2017

§14 and §15 of ESMA's 2019 ECEPs

[61] See §14 et 15 of ESMA's 2019 European Common Enforcement Priorities (ECEPs) in annex 2.

3.2. CONTENT OF THE NON-FINANCIAL STATEMENT

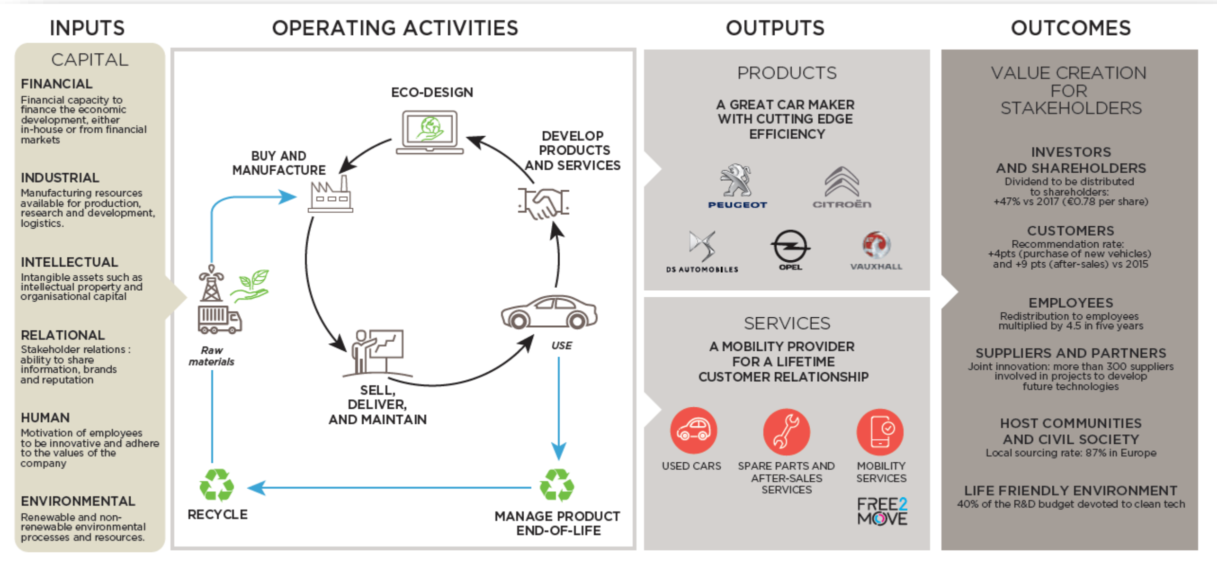
3.2.1. Business model

While the Commercial Code remains brief on the concept of a business model, the European Commission's guidelines on non-financial information provide a better understanding of its usefulness. The purpose of a business model is to describe how the company creates value and preserves it over the long term through its products or services. The Commission adds: *"In more simple terms, [it describes] what a company does, how and why it does it."*[62]

All issuers in the sample complied with the presentation of the business model. The main objective of analysing the business model was to compile findings on the presentation formats used by companies. In line with the European Commission's recommendations, the aim was to assess the extent to which the business model was presented in a *"clear, understandable and factual manner"*.

Almost 90% of the companies in the sample (21) have chosen to use an illustration to report on their business model. While some companies opted to develop their own diagram, almost two-thirds (13) of the companies relied heavily on the value creation process diagram developed by the IIRC in its International Integrated Reporting Framework. Three companies preferred a narrative description of their business model. However, it must be noted that the use of a diagram is in practice more informative because it allows the value creation process and the relationships between the company and its stakeholders to be visualised more easily.

The companies in the sample generally describe their resources (human, industrial, intellectual, social or financial), their strategy and the products and services they offer and illustrate the impact of their activities with key financial and non-financial figures. Some companies have focused on explaining in concrete terms, often using a diagram, how they transform incoming items into outgoing items as part of their business activities. This echoes the European Commission's definition that *"a business model is a matter-of-fact case"*.

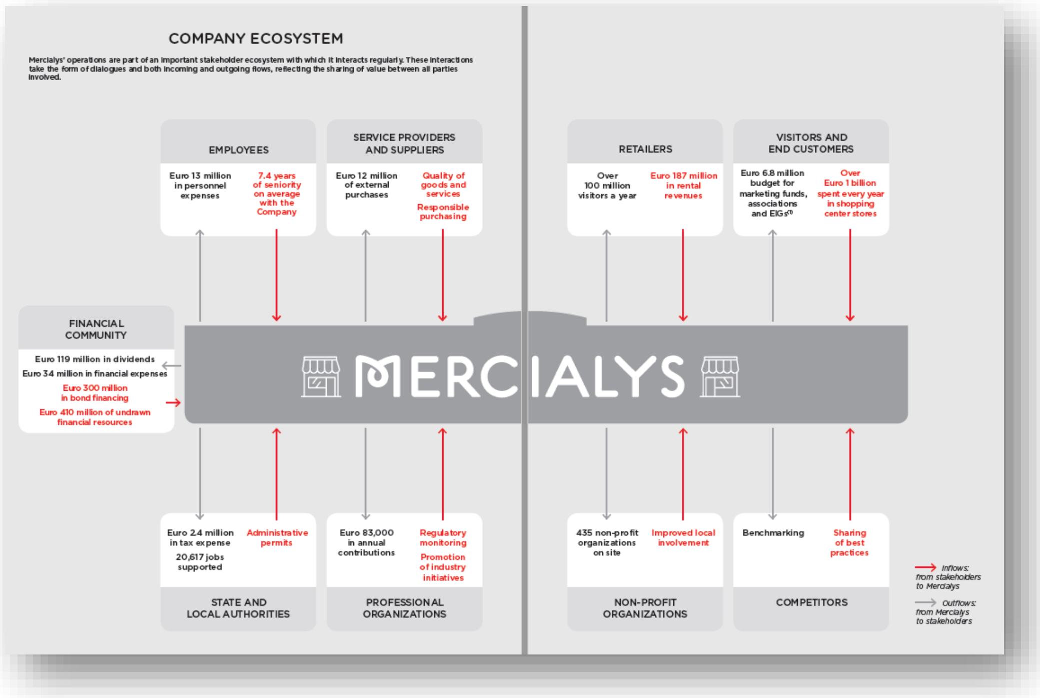


Source: Peugeot SA registration document

[62] See §4.1 a) of the European Commission's guidelines on non-financial reporting, June 2017.

Information about the business environment (including customers and competitors) is less frequently provided. Likewise, few details are generally provided on the *"main trends and factors that may affect their future development"*.[63] However, this information is useful to provide context for the management report as a whole, as pointed out in the European Commission's guidelines on non-financial reporting.

In this regard, one company provides an interesting presentation of its ecosystem insofar as it provides an overview of the company's interactions with its various stakeholders.



Source: Mercialys registration document

This type of information allows the reader to understand which stakeholders the company must be mindful of when managing its non-financial issues.

[63] See §4.1 a) of the European Commission's guidelines on non-financial reporting, June 2017.

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While the issuer is free to choose the presentation format for the business model, the inclusion of a schematic representation is particularly useful.

As suggested by the European Commission's guidelines, companies may consider including "appropriate disclosures relating to their business environment" and "the main trends and factors that may affect their future development".

USEFUL REFERENCES

§4.1 of the European Commission's guidelines on non-financial reporting, June 2017

3.2.2. Description of the main risks

As the Commercial Code also fails to mention how companies should describe their main risks related to their business, the analysis focused on reviewing the choices made by the issuers in the sample to (i) present their risks, (ii) report on the internal process for identifying these risks, (iii) characterise these risks, and finally (iv) indicate the impact of these risks on their business.

- *Presentation of risks*

As mentioned above, the need to report on non-financial risks as part of the non-financial statement raised the question of whether this reporting could overlap with that made in the section headed "Risk Factors" in the registration document.

The vast majority of issuers (17) have chosen to address the non-financial risks identified in their non-financial statement as part of their non-financial statement.

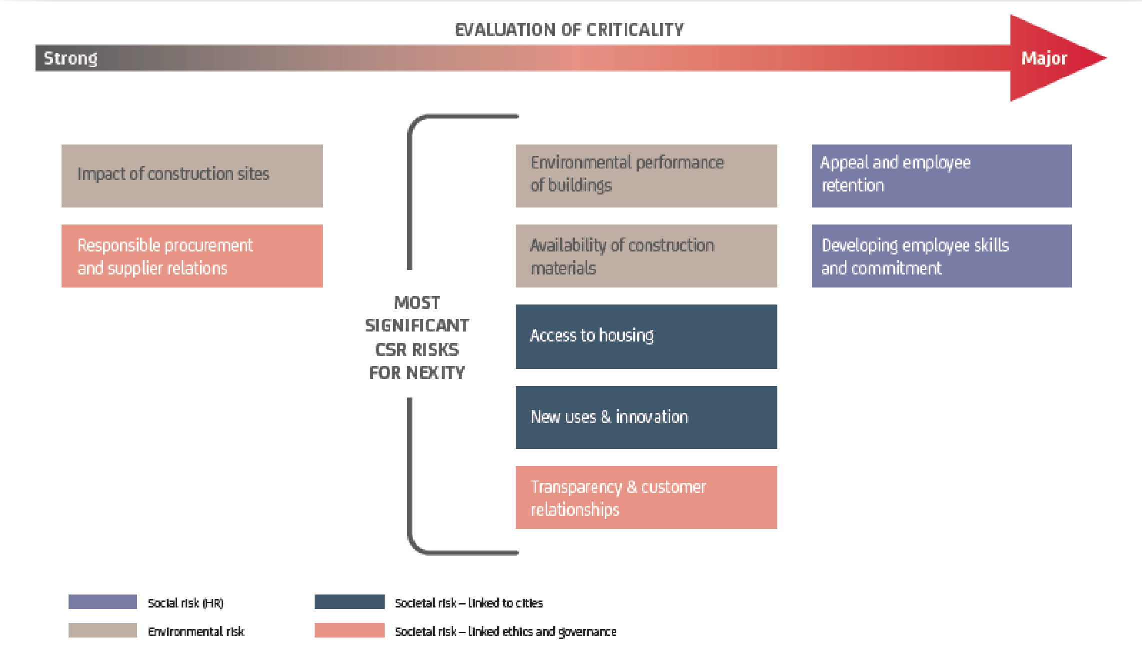
Three companies have chosen to address non-financial risks in both sections, either by redeveloping the risks already presented in the section on risk factors in the non-financial statement, or by cross-referencing to the section on risk factors, or by distributing the risks in question between the two sections based on topic (for example, with the risk of corruption being addressed in the section on risk factors and the strictly environmental and social risks being addressed in the non-financial statement).

Finally, three companies have chosen to address these risks entirely in the section dedicated to risk factors. In these cases, it is particularly helpful to have a clear and explicit cross-reference in the non-financial statement to the section on risk factors to ensure that readability is maintained.

With regard to the link between the NFS and the section in the prospectus on risk factors and pursuant to the Prospectus 3 Regulation, the AMF recently reiterated[64] that the risks specific to the issuer and/or securities that are important for making an informed investment decision must be described in the section on risk factors. Other risks required for regulatory purposes that do not have these characteristics may therefore be presented in other parts of the prospectus. Non-financial risks should therefore be included in the section on risk factors when they meet the criteria set out above. A simple cross-reference from the risk factors section to the "non-financial statement" section does not satisfy this requirement to limit the presentation to significant risks, with the most important risks presented first in each category. More details on this topic are provided in annex 5.

While most companies dedicate a section of the non-financial statement to risks, some have opted instead to present the various risks identified within the sections subsequently developed on specific topics (environmental, social and societal, for example), which also discuss the policies implemented and the results achieved.

In all cases, including a table or diagram summarising the various risks identified is useful when reading from a formal point of view.



Source: Nexity registration document

In general, the section dedicated to presenting risks includes, beyond simply reporting the risks identified, information on the analysis process that led to the identification of these risks.

- *Identification of risks*

Within the non-financial statement, the section dedicated to non-financial risks generally begins with explanations of the methodology used to identify these risks. Issuers generally explain firstly whether, and how, the identification of non-financial risks as part of the non-financial statement was linked to the identification of risk factors. In the sample, 20 companies indicate that they have based their analysis on their existing risk mapping.

[64] *Guide to preparing prospectuses and information to be provided in the event of a public offering or admission to trading of financial securities*, 2019, AMF.

However, only eight companies provide detailed explanations in the non-financial statement that provide an in-depth understanding of the process used to identify non-financial risks.

In addition to a possible link with risk factors, 88% of issuers (20) provide information on the process used to identify non-financial risks, which is significant. As the lens through which the non-financial statement is viewed is materiality, it seems useful for the reader to understand how the company has selected the risks and issues that it highlights in its non-financial statement, as recommended by the European Commission's guidelines.[65] Companies generally include a brief paragraph outlining the departments involved in the process of considering and formulating risks (23 issuers) and the factors that were instrumental in identifying risks. This shows that the process of identifying non-financial risks involves several departments, including the Risk Management and Sustainable Development departments. Senior management is also referred to several times, which reflects the strategic importance of non-financial reporting as a result of the material approach introduced by the non-financial statement.

It is interesting to note that 22 issuers report on an internal materiality analysis, which is not always focused on identifying non-financial risks but may more generally address non-financial issues, in the strategic sense of the term. In such cases, it seems useful to explain how the materiality analysis made it possible to translate the issues identified into risks.

Non-financial risks

Valeo has carried out an analysis of its non-financial risks, in compliance with the French legal framework, to improve the transparency of its non-financial reporting. The Group was keen to blend methodologies developed internally to evaluate its operations and those of its suppliers into new duty-of-care and measurement tools developed by actors in the non-financial sphere, such as those resulting from sector-based initiatives for the evaluation of the supply chains of suppliers (for conflict minerals for instance).

Valeo's analysis of non-financial risks in 2018 resulted from the joint work of the Risk Management and Sustainable Development and External Relations departments. The work obeyed the methodological approach and included the following key steps:

- **Step 1:** by comparing the Group's risk map (the details of which are presented in Chapter 2, section 2.1 "Risk factors", pages 82 to 94) with the materiality matrix, Valeo sought to identify and analyze the potential risks associated with the challenges in the matrix. The analysis took into account changes in the French legal framework and the risks associated with corruption(1), serious violations of human rights and fundamental freedoms, personal health and safety and the environment(2) (see section 4.1.3 of this chapter, "Sustainable development objectives in the Group's business", paragraph "Valeo's duty of care plan", pages 183 to 187).

  It was considered that the risk analysis had already been performed for challenges in the matrix covered by the Group's risk mapping, which correspond to risk factors. Risk factors corresponding to non-financial challenges are identified with a CSR symbol.

  The challenges not covered by the risk mapping were analyzed in detail, based largely on in-depth interviews with the various contributors to their management, as well as on sector comparisons. The results gave rise to the formalization of non-financial risks, their evaluation in accordance with the Group's risk assessment scale (i.e., that used for the risk factors presented in Chapter 2) and the establishment of specific mapping of non-financial risks.
- **Step 2:** the mapping of the non-financial risks and its associated analysis were presented to the Risk Committee in early 2019, which approved the findings;
- **Step 3:** the risk factors resulting from this non-financial risk mapping are published in this 2018 Registration Document.

Source: Valeo registration document

The level of detail provided on the materiality analysis is generally limited. Few companies provide details on the materiality analysis conducted internally, such as the nature and number of stakeholders involved and consulted, the frameworks used to identify issues (for example, the UN Sustainable Development Goals), or the consultation or analysis methods adopted. However, the materiality analysis seems to be the cornerstone of the non-financial statement, and its clarity then leads to a clear understanding of the risks identified and the policies put in place.

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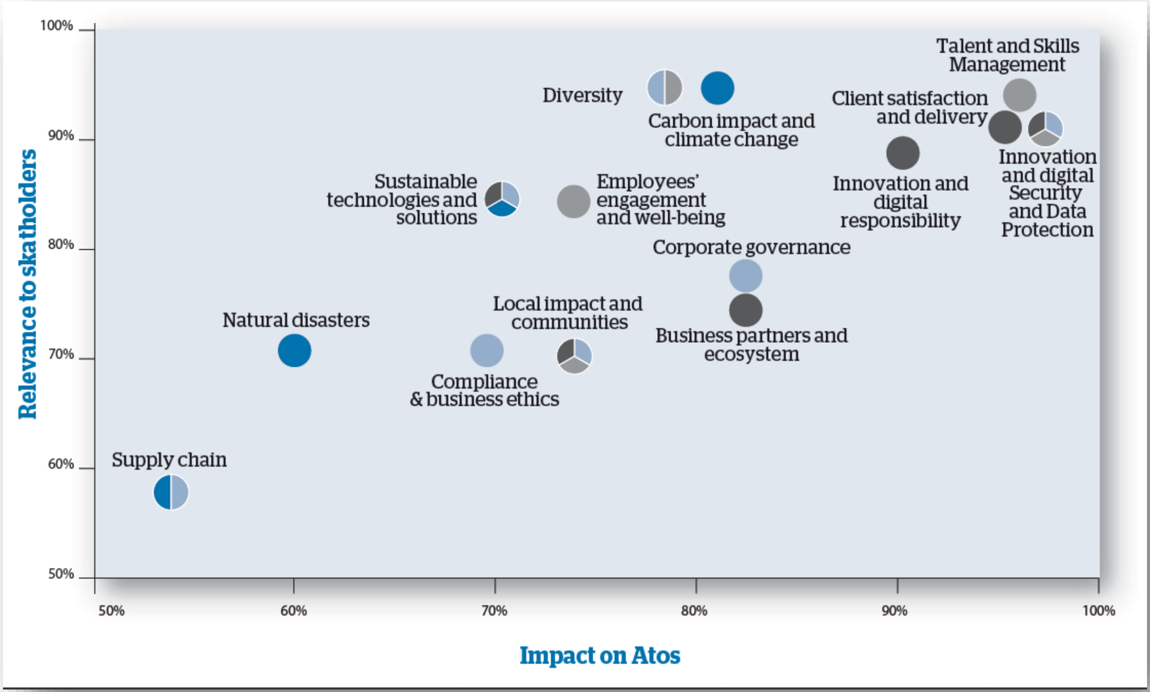
65 *"Companies may explain the governance arrangements and processes used to perform their materiality assessment"*, §3.1 of the European Commission's guidelines on non-financial reporting, June 2017.

One company in the sample stands out in particular because it provides a high level of detail, over a full page, on this subject. In particular, it provides a hypertext link to the results of its materiality survey.

Similarly, two companies link the risk identification process to the business model described above. This seems to fully comply with the spirit of the non-financial statement, which aims to put the company's business model into perspective with the risks it faces.

While almost all companies conduct a materiality analysis, a smaller proportion (13) do so by publishing a materiality matrix. A matrix-based tool has the advantage of visually comparing the issues or risks identified and their importance for stakeholders, according to a classification often based on the different topics covered by the non-financial statement (environment, social, societal or even corruption). While the assessment of materiality is often qualitative, some issuers go so far as to quantify the significance of the issue in question.



Source: Atos registration document

The materiality analysis generally highlights the fact that stakeholders' expectations have been taken into account, or were even decisive, in this risk identification process. Some companies go so far as to provide precise details on how stakeholder expectations have been integrated into the materiality analysis, although this practice remains isolated. This approach echoes the European Commission's guidelines, which suggest that the *"interests and expectations of relevant stakeholders"* should be taken into account when assessing the materiality of a risk or certain information.[66]

[66] See §3.1 of the European Commission's guidelines on non-financial reporting, June 2017.

3.1.2. CONSTANT DIALOGUE WITH STAKEHOLDERS

L'Oréal is keenly aware that a company can only grow and prosper if it cares about its ecosystem, which is made up of many actors. The Group attaches great importance to dialogue with all stakeholders.

Within the framework of ongoing dialogue and as part of a process aimed at making continual progress, L'Oréal endeavours to take into account of stakeholder expectations in its strategy. For this purpose, the Group has defined and developed a method of ad hoc interaction, that it considers the most efficient and appropriate, with all those involved.

The dialogue conducted by L'Oréal with its stakeholders has gained importance over time. In the *Sharing Beauty With All* programme, for instance, it has seen three major phases:

1st phase: upstream of the definition of the Group's *Sharing Beauty With All* commitments with regard to Sustainable Development, between 2011 and 2013 L'Oréal engaged in dialogue with 754 organisations, including an in-person dialogue with 232 of them, through forums organised by the Group in 8 key countries. In 2012, the Group launched a "materiality analysis" to establish the priority focuses of its Sustainable Development strategy. This made it possible to identify 29 topics for attention shared by the stakeholders with regard to the Group. L'Oréal was then able to compare stakeholder expectations with the definition of its own strategy.

The materiality analysis took place in 4 phases:

- identification and ranking of stakeholder expectations;
- identification and ranking of Sustainable Development challenges for L'Oréal;
- establishment of materiality;
- review of the Sustainable Development strategy and L'Oréal's indicators.

Thanks to this process, L'Oréal is able at regular intervals to revise the priorities of its Sustainable Development strategy, assess the relevance of its indicators and adapt its reporting by communicating on the most "material" topics, namely those that are at the heart of the concerns of stakeholders and the main challenges for the Group.

2nd phase: in 2013 the Group set up a dialogue platform hosted on the loreal.com website making it possible to continue this dialogue on-line, offering the possibility for NGOs, associations and non-profit organisations to interact with the Group's experts.

3rd phase: since 2013, L'Oréal has set up special-purpose panels and consultations with regard to various topics in order to include the views of NGOs, associations, non-profit organisations and experts in its thought process and its projects. In 2016, the Group updated its Sustainable Development materiality analysis. Each year, the Group dialogues with its various stakeholders in order to challenge its projects and progress.

Source: L'Oréal registration document

Since the European Commission's guidelines encourage companies *"where relevant and proportionate"* to *"include material information on supply and subcontracting chains"*,[67] it was interesting to examine to what extent companies address this subject in the non-financial risks section of the non-financial statement. In general, the subject of suppliers and subcontractors is already covered as part of the duty of care plan, which 22 companies in the sample are required to produce.[68] The aim was therefore to observe the extent to which the companies in the sample also expand on this subject in their non-financial statement.

All but one of the companies in the sample include information on their supply and subcontracting chains in their non-financial statement, in addition to the information disclosed as part of their duty of care plan. Around 80% of companies (19) also explicitly consider this to be an non-financial risk in itself. More specifically, ten companies generally address the risk associated with supplier practices or supply chain management. Eight companies focused their risk analysis on responsible purchasing and sustainable resource procurement, while four companies focused on reputation risk management and respect for human rights.

One company in particular has chosen to clearly differentiate between the major risks resulting from its business activities and those resulting from its supply chain, which allows these risks to be easily identified.

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[67] See §4.4 of the European Commission's guidelines on non-financial reporting, June 2017.

[68] A company is required to disclose a duty of care plan if, at the end of two consecutive financial years, it employs at least 5,000 employees within the company and its direct/indirect subsidiaries whose registered office is in France, or employs at least 10,000 employees within the company and its direct/indirect subsidiaries whose registered office is in France or abroad.

B. Major risks arising from the supply chain

Purchasing Categories	Type of risks	BIC Policies	BIC Organization
Raw materials, Plastics, Metal, Inks and Chemicals	**Environment**: Plastics consumption, water pollution and soil pollution related to the extraction of raw materials **Human Rights**: Exposure of local populations to the releases from the production sites Exclusion of the conflict minerals **Health and Safety**: Chemicals impacts on team members' health and safety Products safety for the consumers **Ethics**: Regulatory compliance, Corruption	Responsible Purchasing Charter 2025 Commitment: #4 Proactively Involving Suppliers	Implementation by the Purchasing Department, Industrial Departments and Sustainable Development Department
Packaging	**Environment:** Deforestation, overpack, water pollution resulting from manufacturing process **Health and safety:** Environmental impact of the chemicals used (inks, adhesives) **Ethics:** Regulatory compliance, corruption, use of wood from non-sustainable exploitation	Responsible Purchasing Charter BIC Group's Code of Conduct	Implementation by the Purchasing Department, Industrial Departments and Sustainable Development Department
Transport & Logistics	**Environment:** Greenhouse gas emissions, consumption of non-renewable energy sources **Health and safety:** Road accidents and accidents in handling **Ethics:** Corruption	Responsible Purchasing Charter BIC Group's Code of Conduct	Implementation by the Purchasing Department, Industrial Departments and Sustainable Development
Contract manufacturers	**Environment:** GHG emission, consumption **Societal and Human Rights:** Compliance with ILO Conventions in terms of working conditions, forced labor, constrained work or child labor Team members Health and Safety **Ethics:** Regulatory compliance, corruption	Responsible Purchasing Charter BIC Group's Code of Conduct Code of Ethics	Implementation by the Purchasing Department, Industrial Departments and Sustainable Development
Indirect suppliers	**Environment:** water and energy consumption, water pollution especially for maintenance personnel and building officials **Societal and Human Rights:** the strike by team members especially for the goodies sector **Ethics:** Corruption	Responsible Purchasing Charter	Implementation by the Purchasing Department

Source: Bic registration document

After presenting how the non-financial risks are identified, issuers generally discuss the financial risks used to prepare the non-financial statement.

- *Characteristics of non-financial risks*

An initial analysis of the identified non-financial risks shows that these risks can impact either the company's business activity or its environment. This echoes the content of the supplement published by the European Commission in June 2019 on climate-related information. The document indicates that the concept of materiality may be interpreted in two ways: firstly, non-financial risks and factors may have an influence on the company's business activity and, secondly, they may relate to the company's external impacts on its environment.[69] Accordingly, in the sample studied, 17 companies mention both types of risks. By contrast, six companies deal only with the risks that their operations pose to the environment and society, without addressing the potential impact on their business model.

[69] §2.2 of the European Commission's supplement on climate-related information, June 2019.

Three-quarters of the companies (18) provide a categorisation of their non-financial risks. While one company in the sample has chosen to categorise its risks according to their potential severity, whether significant or moderate, most adopt a topic-based categorisation based on the environmental, social and societal aspects. Certain categories such as corruption, human rights or climate change are also used, reflecting the special importance that these topics can have. Some companies choose to use the same categories as those identified in their materiality matrix. This makes for easier reading and ensures consistency between the different sections of the non-financial statement, particularly when the latter is particularly extensive and covers not only non-financial risks but also non-financial issues and opportunities, thus broadening the perspective. In a more granular way, one company in the sample opted for a categorisation based on several criteria: the topic (societal, social or environmental), the degree of materiality and the level of criticality. Another company also adopted a two-pronged approach, combining topic-based categorisation and "level of significance".

			Level of materiality[a]	
	Theme	**Group CSR issues**	**Construction**	**Media Telecoms**
Human resources Section 3.2	Health, safety and well-being in the workplace	Ensuring health, safety and well-being in the workplace	■■■	■■
	Employment and equal opportunity	Attracting, recruiting and integrating employees while fighting all forms of discrimination through high-quality labour relations	■■■	■■■
	Development of careers and employability	Supporting employees throughout their careers by addressing changes in occupational roles and skill-sets early on	■■■	■■■
Environmental impacts Section 3.3	Climate/Energy	Rolling out a comprehensive strategy for reducing greenhouse gas emissions and adapting products and services to climate change, in line with public policies	■■■	■
	Use of resources	Making the circular economy a driver for transforming building and communications methods	■■■	■■
	Environmental impact of products and services in use	Helping customers and end-users save energy and make sustainable use of resources	■■■	■
	Environmental externalities	Minimising the environmental impact of business activities, including biodiversity and ecosystem protection	■■■	■
Social impacts Section 3.4	Social impact of completed projects, products and services	Meeting societal expectations in terms of integration, poverty alleviation and service accessibility and conducting dialogue with Group stakeholders	■■■	■■■
	Geographical, social and economic impact	Boosting the local foothold of projects and creating sustainable value and sharing it with stakeholders	■■■	■■
Human rights Paragraph 3.2.1.3	Safeguarding human rights along the value chain	Ensuring that human rights and international conventions are upheld in all decisions and relationships with business partners	■■■	■■
Digital technology Paragraph 3.4.4.3	Data protection	Safeguarding business data and customer/user privacy	■■	■■■
Ethics Sub-section 3.4.4	Business ethics	Managing business relations transparently and responsibly	■■■	■■■

(a) On a scale of one to three, ranging from moderate to very high materiality.

Source: Bouygues registration document

Once the risk has been defined, some companies choose to briefly provide more details about it, such as its origin, how it relates to the products or services that the company offers, and possibly the consequences that the company could suffer if the risk were not managed.

In accordance with the EU Non-Financial Reporting Directive, the AXA Group has identified three main potential social risks:

- not maintaining sustainable and responsible employer practices everywhere through an ambitious employer value proposition and continuous social dialogue;
- insufficient growth and development opportunities, limited internal and external employability and skills becoming obsolete in a disrupted business environment;
- not attracting, retaining and managing talents because of inability to build an inclusive and engaging environment.

Those have been identified through working groups with AXA Group experts from different departments and also on internal documentation that AXA, as a mature insurance company and an expert in the management of all kind of risks, has been improving over the past years. They consist of documents developed by Group Risk Management (Operational Risk Grid) and by Group Human Resources (HR) Departments (Pager on AXA HR ambition and roadmap, and AXA HR Group Standards). AXA's

Source: Axa registration document

- *Impact of risks*

Some companies in the sample analysed (4) have made an effort to provide information within the non-financial statement on the impact that these risks may have on their business. The European Commission's guidelines attach particular importance to ensuring that the non-financial statement details the impact of the identified non-financial risks, as they state that *"companies are expected to explain how principal risks may affect their business model, operations, financial performance and the impact of their activities"*.[70]

While greater transparency is achieved in a few cases, the information is generally qualitative and succinct.

Risk description	Risk impact	Policies	Due diligence & results	Performance	Opportunity created
Environment					
Environment – Circular Economy					
Volatile prices and resource availability	Cost increase of primary resources; Disruption of supply	Circular resources	100% cardboard and pallet for transport packing from recycled or certified sources by 2020; Raw material cost productivity and hedging strategy; +100% increase of recycled plastics in purchases by 2025	62% cardboards/pallets from recycled/certified sources in 2018	Lean, agile, efficient manufacturing processes
Safety risk if assets handled by non-certified 3rd parties (repair, end of life)	Health & Safety impact; Reputation impact	Circular offers: ECOFIT™, and take-back schemes (EOL, etc.); End of Life information for our products with Green Premium	100K tonnes of avoided primary resource consumption through ECOFIT™, recycling and take-back programs by 2020	~43k tonnes avoided in 2018	Market growth for Schneider Electric circular offers (repair, retrofit, take-back, EOL)

Source: Schneider Electric registration document

Only one company in the sample specifies how the impact assessment was carried out. The same company also specifies the stakeholders who are impacted by these risks.

[70] See §4.4 of the European Commission's guidelines on non-financial reporting, June 2017.

Material Topics	Topic boundaries outside the organization
Economic performance	Clients, investors and analysts, communities and NGOs
Market presence	Business partners, research institutions and universities, communities and NGOs
Indirect economic impacts	Suppliers, communities and NGOs
Procurement practices	Suppliers, business partners, research institutions and universities
Energy	Clients, investors and analysts
Emissions	Clients, investors and analysts
Employment	Not material outside the organization
Training and education	
Diversity and equal opportunity	
Equal remuneration for women and men	
Anti-corruption	Clients, investors and analysts, suppliers, and public entities
Socioeconomic compliance	Clients, investors and analysts, communities and NGOs, and public entities

Source: Atos registration document

Furthermore, only one company specifies the time frame for the non-financial risks identified, indicating that the analysis was carried out with a *"medium-term perspective (five-year time frame)"*. Providing this type of detail is also strongly encourages by the European Commission's guidelines, which recommend *"an appropriate perspective on short, medium and long-term principal risks"*.[71]

The majority of companies do not address the potential impact of the non-financial risks identified in the non-financial statement. Sometimes the company specifies the impact of non-financial risks within the section on risk factors. While the information is useful, the non-financial statement rarely refers to the section on risk factors to indicate the existence of this information. Companies may ensure, where appropriate, that they cross-reference these different sections, recognising that the risks developed within the section on risk factors do not usually fully reflect those set out in the non-financial statement. Accordingly, with a view to ensuring that the content is easily readable, companies may opt to present the impact of non-financial risks in the non-financial statement.

Finally, just under half of the companies surveyed (41%) report that they have made provisions in their financial statements for items related to non-financial risks. In the ten cases identified, these provisions are made in relation to an environmental risk. Some companies have chosen to deal not only with these provisions in the financial statements but also with a dedicated paragraph in the non-financial statement. If there is no dedicated paragraph, it is useful to cross-reference to the note to the financial statements that addresses it.

[71] *Idem*

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It is important to pay particular attention to the process of identifying non-financial issues and risks, in particular to explain why the risks were chosen.

It is also good practice to explain how stakeholders were involved in this process.

Similarly, it is important to specify, in the non-financial information statement, the time frame over which potential risks may arise and their impact on the company's business model, operations or performance.

Finally, where applicable, **it seems important to also include information on supply and subcontracting chains**.

USEFUL REFERENCES

§4.4 of the European Commission's guidelines on non-financial reporting, June 2017

§4, §6, §16 and §17 of ESMA's 2019 ECEPs

3.2.3. Policies and due diligence

Article R. 225-105 of the Commercial Code states that after having described the main risks related to the company's business, *"a description of the policies implemented by the company or all companies including, where applicable, the due diligence procedures implemented to prevent, identify and mitigate the risks identified must be provided"*.

- ☐ *Presentation of the policies*

In the sample studied, 19 companies clearly link the policies and due diligence implemented to the risks previously identified. The way in which the information is presented may vary. As an introduction, some companies provide a table summarising, for each risk identified, the policy implemented together with the associated due diligence and, possibly, the key performance indicators. The advantage of this format is that it demonstrates the consistency between the various sections and ensures that there is a clear understanding of how each risk is managed. With this format, it is particularly useful to have a specific cross-reference to the page or section that expands on each policy.

SOCIETAL				
Associated CSR risks identified and monitored by the ERM process	**Policies or action plans established**	**Objectives, methods and indicators established to monitor performance**	**2017 results**	**2018 results**
Crucial challenge: Communities **This challenge includes dialogue with stakeholders, local acceptability, local economic development, including job creation resulting from the Group's activities, and philanthropy and partnership actions with civil society**				
Crucial challenge: Transparency **This challenge includes the management of controversies, the transparency and reliability of communication, and the management of the ENGIE brand**				
Societal responsibility risks (see Section 2.2.2.3)	Societal policy: this specifies the Group's societal challenges, the resources used by the Group to meet these challenges, and the governance elements that contribute to the implementation of the Group's societal policy	The Group has committed to ensuring that 100% of its industrial activities are covered by an appropriate stakeholder dialogue and collaboration mechanism	48%	53%
	Stakeholder engagement tool: this self-assessment tool is based on the AA1000 stakeholder management principles issued by the NGO AccountAbility	Number of Group BUs or entities trained each year in the "stakeholder engagement" tool	6	6
	Vigilance Plan (see Section 4.3)	See Section 4.3 "Vigilance Plan"		
Risks related to organic growth and major projects (see Section 2.3.2.2)	Investment procedure	Self-assessment using a matrix of 12 CSR criteria reviewed by the Investment Committee Realization of EIA (Environmental Impact Assessment) Realization of ESIA (Environmental and Social Impact Assessment)		
	Societal policy	The Group has committed to ensuring that 100% of its industrial activities are covered by an appropriate stakeholder dialogue and collaboration mechanism	48%	53%
Reputational risk (see Section 2.2.4)	Protection of the brand	The Group has committed to achieving a BtoC customer satisfaction level of 85% by 2020	83%	81%
	Ethics policy	Monitoring of the number of incidents (proven or unproven) declared in INFORM'ethics	175	218
	Environmental policy	Monitoring of number of environmental complaints and convictions	13 complaints and 1 conviction with no compensation obligation	24 complaints and no conviction
	Purchasing policy: sets out the obligations and commitments applicable to ENGIE in terms of its relations with suppliers	The Group has committed to ensuring that 100% of its entities have established a system for responsible supply chain management by 2020	37%	84%

Source: Engie registration document

In terms of presentation, there are two approaches used by the companies in the sample. Some companies choose, after addressing the risks in an initial section, to discuss the related policies in a separate second section. The policies are generally categorised according to the topic-based category of the risk to which they relate ("environmental policy", "social policy", etc.) without necessarily making an explicit link to the corresponding risk. Readability is therefore maintained when the company uses the same wording to describe the risk in the section identifying it and in the section describing the corresponding policy.

Objective No. 1: identify, attract and retain talent

In a tight job market where employees are increasingly seeking ethics and meaning, Mercialys has a duty to have active compensation and training policies that attract and retain talent. The Company must also be able to train its employees for changes in their jobs and identify their needs to better help them grow and lay the groundwork for the Company's future.

Compensation policy

To increase its appeal and retain its employees, Mercialys has an incentive-based compensation policy in place which is designed to be attractive compared to its business sector.

The compensation for Mercialys' managers is made up of a fixed salary and variable compensation. The variable component varies from 8% to 80% of the fixed compensation and is correlated to the achievement of three types of objectives, evaluated at the start of the following year:

- quantitative objectives tied to the Company's results;
- individual quantitative and qualitative objectives, related to the employee's performance evaluated by his/her manager. These objectives are tailored to the employee's area of activity, and one of the quantitative objectives assesses the employee's execution of the CSR strategy;
- Managerial Attitudes and Behavior (ACM), i.e. the managerial behavior and actions expected by the Company from each of its employees. The ACM is structured around several keywords, Leadership, Innovation, Decision Making, Engagement and Customer Responsibility, which encompass all the professional qualities Mercialys considers essential to individual and collective success.

In addition, in late 2018, Mercialys decided to take part in the national effort proposed by the French government to improve purchasing power. As part of this initiative, the Company gave a €1,000 bonus to all employees whose annual fixed gross compensation is lower than triple the interprofessional minimum wage (SMIC), with no seniority conditions.

Finally, Mercialys introduced a bonus share plan to help retain its highest performing employees. In 2018, a comprehensive plan for all eligible employees was implemented. Thus, 83,199 shares were awarded at no cost.

Source: Mercialys registration document

Other companies adopt a structured approach that they systematically apply to each of the risks identified. Using the main topic-based categories previously identified (e.g. *"environmental risks"*), they reiterate the nature of the risk in question in an initial paragraph (e.g. *"risk related to accidental water and/or soil pollution"*) before describing the associated risk control policy in a second paragraph, and possibly, in a final paragraph, the due diligence procedures implemented to reduce this risk. While this presentation format may seem redundant, it is clear that it ensures that the non-financial statement is easy to read.

Attracting talent

Description of the risk

Attracting the best talent is a key challenge for Valeo in achieving its goals in a competitive environment that is undergoing profound transformation. The Group's success hinges on attracting skilled employees internationally in fast-growing markets and emerging countries, and in fields of advanced technology, such as CO_2 emissions reduction and intuitive driving technologies.

Valeo bolsters its appeal by conveying an image and employer promise in keeping with its corporate values and culture. To strengthen its "Top Employer" reputation, Valeo regularly communicates on employment and career opportunities through various communication channels, including social networks. Having skilled teams ensures that Valeo can meet the expectations of its customers around the world, and add value in terms of innovation, total quality and competitive solutions and services.

Risk management policy

The Group relies on its employees to support its growth and ensure the achievement of its objectives. To this end, it is essential to develop policies serving to attract and recruit the best talent.

To achieve its growth and development objectives, the Group has set itself the ambition of:

- recruiting 6,000 employees each year over the next five years;
- having 600,000 followers on LinkedIn by 2020.

As part of the "One HR" comprehensive transformation project, a new recruitment organization has been set up with the creation of Talent Acquisition Centers (TAC) to generate recruitment synergies at national and regional level. The TACs bring together all teams dedicated to scouting and attracting talent in a given country or region. In 2018, Valeo had 21 TACs in the world, after starts this year in Japan and Morocco.

To support the implementation of this new organization, Valeo has developed a comprehensive IT solution to manage recruitment. The main objective is to increase the efficiency of the recruitment process, reduce its cost and duration, improve quality and follow-up, and give better visibility to job opportunities available.

Measures taken to reduce the risk

Valeo's recruitment policy is based on a strong employer brand, which enhances the Group's visibility and its appeal for the talents of tomorrow. Managing relationships with schools and forging strong and special partnerships is a priority for the Group. In 2018, 82% of Valeo's plants maintained relations with higher education institutions (universities, engineering schools, business schools, etc.).

To bolster its visibility with universities in the Group's host countries, Valeo organized a fifth edition of the Valeo Innovation Challenge in 2018. The competition is a means for Valeo to encourage students from around the world to innovate and develop their entrepreneurial spirit, by offering the winners the opportunity to create their own start-up. Valeo wanted the competing teams to be multidisciplinary (students from business schools working alongside those from engineering schools, etc.) to encourage synergies between their respective areas of expertise, mirroring its internal teams in that respect. They had a choice between three key themes for Valeo: vehicle electrification, autonomous vehicles and digital mobility. In 2018, 1,470 teams from 676 universities and 107 different countries took part, putting forward innovative solutions for the car of tomorrow.

Accompanying Valeo's growth worldwide involves a vast recruitment plan. To this end, a team of recruitment experts has worked on implementing tools to anticipate needs. The TAC teams from different countries have created "Hiring4me", an e-learning module for managers, giving them the tools to create a unique and exemplary candidate experience, free of any discrimination in hiring.

Source: Valeo registration document

☐ *Content of the policies and due diligence*

For all companies in the sample, the scope within which risk management policies apply is identical to that within which risks exist.

All the companies in the sample also sought to present policies that are specific and concrete. For example, one company in the sample (BIC) illustrates how it responds to the environmental impact of its business by detailing the content of its *"Health, Safety and Environment"* policy at various levels (i.e. general principles, implementation at operational sites and within the supply chain).

Another company similarly adopts a structured approach to detailing its consumer safety policy. This example highlights a policy specific to the company's business.

Policies

Quality	In 2018, Danone published its commitments on food quality and safety, based on four core principles: • be trusted: design, manufacture and deliver products and services that comply with applicable regulations and meet the highest standards for food quality and safety; • be preferred: overcome new challenges and play a key role in the food revolution; • be efficient: achieve sustainable operational excellence by developing effective processes and fostering internal and external partnerships that leverage collective intelligence and expertise; • be proud: Danone employees are ambassadors for the Company's products and services.
Food safety	• the General Manager of each subsidiary is responsible for ensuring that its products comply with the host country's laws and regulations and with Danone's specific food safety guidelines and commitments; • these standards incorporate Danone's directives and procedures on food safety, integrated management and risk assessment, as well as instructions and controls specific to each Danone product or technology. The subsidiaries must apply the stricter of either local regulations or Danone's own food safety policy.

Source: Danone registration document

Article R. 225-105 of the Commercial Code makes a distinction in its wording between (i) the description of the policies implemented by the company and (ii) the due diligence procedures implemented, where applicable, to prevent, identify and mitigate the risks identified.

The concept of due diligence is not immediately obvious to grasp, and the regulatory texts relating to the non-financial statement do not expand on this concept either. Of Anglo-Saxon origin, due diligence is a legal concept that has been widely used in the CSR area in recent years. The 2011 update to the *OECD Guidelines for Multinational Enterprises* has added clarity to this concept of due diligence, which is the tenth OECD guideline. The OECD specifies that *"due diligence is understood as the process through which enterprises can identify, prevent, mitigate, and account for how they address their actual and potential adverse impacts as an integral part of business decision-making and risk management systems"*.

As a process, the concept refers to the tools and procedures developed to manage and mitigate a risk on the one hand, and the controls put in place to ensure that the risk is managed effectively on the other. More specifically, the tools and procedures may take various forms, such as policies implemented within the group (e.g. codes of conduct, ethical charters and action plans in specific areas) or to which the company adheres (e.g. ISO labels and standards) or internal governance choices (e.g. appointment of a risk manager, creation of an ethics committee, ethical compliance programme, anti-corruption alert system, etc.). It appears therefore that the concept can be applied in as many ways as there are companies, insofar as these due diligence procedures are expected to be specific to each company.

Very few companies in the sample use the term "due diligence". Only one company complied with the practice of clearly and systematically presenting a due diligence procedure to address each of the risk management policies it has developed. A summary table in the introduction to the non-financial statement helps to quickly confirm this, while within each section expanding on one of the risks identified, a qualitative analysis is carried out to explain what these due diligence procedures entail.

Risk description	Risk impact	Policies	Due diligence & results	Performance	Opportunity created
Health and Safety at work					
Risk of having disengaged employees feeling that their opinion is not taken into account which could impact the financial results of the Group	Most employees are taking the OneVoice survey, the most representative will be the qualitative and quantitative results and verbatim. We walk the talk to fit with our continuous listening strategy	Continuous listening strategy, employee-centricity. Gives the opportunity to our employees to share their opinion and is key to be agile in the way we are driving organizations	1 global survey surveying 100% of our employees once per year + design and launch of pulse survey targeting populations for whom attention is needed (return from maternity leave, results dropping down) + verbatim deeper analysis	+2 points of Employee Engagement Index in 2018	Improved employee engagement leading to greater performance
Serious/fatal employee injury/ illness	Loss of or impact to employee; Loss productivity; Property damage; Impact to Company image/ customer confidence; Citation/fines	Safety Strategy; Global safety directives	Serious Incident Investigation Process (SIIP); KPIs; GlobES reporting; Global Safety Alerts; EHS Assessment	2018 MIR = 0.94 See other safety KPIs pages 191-192	Absolute requirement Global Action Plan
Legal nonconformance	Loss productivity Impact to Company image/customer confidence Citation/fines	Safety Strategy Global safety directives	Global EHS Alert EHS Assessment	See safety KPIs pages 191-192	Absolute requirement Global Action Plan

Source: Schneider Electric registration document

However, a more detailed analysis of the sample shows that other companies have preferred to use the term "action plan" or "means of action" to refer to due diligence.

Action plans

Quality: The iCare program

Danone has created and continues to foster a culture of quality through its iCare program, built on in four priorities:

- engage all employees on quality topics;
- promote visible engagement by management;
- ensure that quality messaging is consistent and easy to understand;
- encourage employees to get involved and share ideas.

Assessments are conducted regularly to measure the maturity of the Company's quality culture, and results for 2018 show that it has improved significantly.

Safety: Identifying emerging and evolving issues

Danone launched the Horizon Scanning process to identify emerging and evolving food safety issues and assess their potential impact on the Company's products and activities. These issues include risks related to the safety of raw materials, ingredients, packaging materials that come into contact with products, production processes and finished products.

Since 2018, the process has also covered issues that are not associated with any proven food safety risk but are perceived by civil society as such.

Internal food safety management system

Danone's objectives include earning FSSC 22000 certification (a standard recognized by GFSI) for all production sites by 2020. But earning and maintaining this certification is not enough for Danone: it has also developed an audit guide that incorporates its own requirements. The Company also requires third-party stakeholders to earn food safety certification recognized by GFSI.

Some of these companies (VALEO, VEOLIA, DANONE, SANOFI and BIC) devote a clearly identified paragraph to it, while others make no distinction between the policies and the due diligence or means of action implemented. With a view to making the content of the non-financial statement more readable, it must be noted that making a clear distinction between these two categories guides the reader in a particularly effective way. For example, after having explained the general implications of its consumer safety policy, one company then details the corresponding action plans, as shown in the following extract.

In total, few companies systematically assign an action plan to each policy and risk identified.

Source: Danone registration document

KNOW YOUR SUPPLIER (KYS) ANALYSIS

Level 1 suppliers (*i.e.* direct suppliers), as well as their subcontractors when accounting for more than 20% of the service provision, are evaluated against both Societe Generale and international standards of operational, compliance and reputational risk management (including on environmental and social matters).

NON-FINANCIAL EVALUATION OF SUPPLIERS

In addition to KYS due diligence, the CSR clause in the contracts of certain suppliers imposes non-financial evaluation of their environmental and social performance, business ethics and subcontracting practices by an independent third party. As of 31st December 2018, 45.5% of a targeted scope of suppliers under contract had a non-financial evaluation conducted by an independent third party.

Other companies have instead opted for targeted explanations on some of their topic-based policies. In particular, due diligence in the environmental area as well as with regard to suppliers, subcontractors or, more generally, the responsible purchasing policy is addressed.

Source: Société Générale registration document

Finally, it is interesting to note that while companies report readily on the tools implemented, there is less information on the audit systems in place. Similarly, details are usually provided on a specific topic (social, health or environmental). However, it is useful to have information on how the company ensures compliance with the procedures it has implemented, whether through internal or external controls.

Audits of supplier production plants to IATF (International Automotive Task Force) standard 16949

Groupe PSA requires that supplier production plants are certified to IATF 16949. This certification is awarded for three years and the certifying body conducts an annual audit to check compliance. Major non-compliances result in suspension of the certificate and supplementary audits to rectify non-compliances. 68% of supplier production plants are certified to ISO/TS 16949 or IATF 16949, and remaining sites have at least ISO 9001 certification.

External assessment

To supplement the supplier assessment system and make it more robust, the Group undertook to assess its entire supplier base on the basis of environmental, social, ethical and sustainable procurement. Groupe PSA has chosen to entrust this evaluation to an external provider, EcoVadis. An initial step has helped identifying supplier risks to a greater degree.

The Group informed its suppliers that this process is mandatory if they wish to remain in the supply base and that suppliers failing to achieve the required level would be systematically expected to implement corrective action plans.

In 2018, 975 supplier groups, or 93% of the amount of purchases, were assessed.

Audits of critical suppliers

In addition, social and environmental audits are conducted at selected suppliers' plants in accordance with the risk level associated with their country, product or process. Since 2008, 92 social and environmental audits have been performed at tier 1, 2 or 3 suppliers. Chapter 4 of the CSR Report presents the results of these audits in detail.

Source: Peugeot SA registration document

4.3.1 Implementation of the social audit system within the Group

No control system, regardless of how mature and tested it is, can guarantee the absence of risk, and it is up to the Group and its Houses to develop with suppliers the most efficient collaborative and control systems in order to keep risk to a minimum and implement any corrective action in cases where non-compliance is identified.

To meet these challenges, Kering has established a dedicated organization. 2016 was a major turning point in the approach to supplier management and assessment, with the complete redesign of the organization. The challenge was that different Houses had potentially adopted different practices, and distinct audit and risk evaluation methods, and that a single supplier working for several of the Group's Houses could potentially face multiple audits. Therefore, the decision was made in 2015 to significantly improve the system's efficiency and to unify practices and the monitoring of the process across Kering's entire Luxury business, which now represents the entire Group. On that basis, a single central body allowing Kering to control the compliance of Group suppliers was established in late 2015, and began operating in January 2016. The new organization, the Hercules system, is based on six key pillars:

1. sustainability principles established for all the Luxury Houses in 2015 are divided into three areas:
   a) the social aspects related to human rights, labor rights, and health and safety, including the elimination of child labor, forced labor, human trafficking in all its forms and discrimination, compliance with statutory working hours, and respect for the freedom of association and the right to collective bargaining;
   b) environmental aspects, such as compliance with laws as well as restrictive lists of chemicals defined by Kering, environmental management, and waste water treatment;
   c) aspects related to the supply of raw materials and packaging, including respect for animal welfare and the five related freedoms, sourcing and traceability requirements for a number of key materials used by Kering, and the prohibition of certain substances and/or certain sourcing regions (for reasons related to the social conditions of production – child or forced labor, for instance – or environmental issues).

<u>Source</u>: Kering registration document

☐ *Governance and allocated resources*

The European Commission's guidelines encourage companies to contextualise policies and due diligence by detailing the governance associated with them and the resources allocated to them. For example, they state that *"a company may explain its management and board's responsibilities and decisions, and how resource allocations relate to objectives, risk management and intended outcomes"*.[72]

In the sample studied, 20 companies provide details on the governance of their CSR policies at the executive level. In general, it is the Sustainable Development departments that are the driving force, together with the Executive Committee. In line with what the AMF's 2016 CSR report highlighted, there are 21 companies that explain how the board of directors or the supervisory board is involved in these matters, generally through an ad hoc committee or the strategic planning committee.

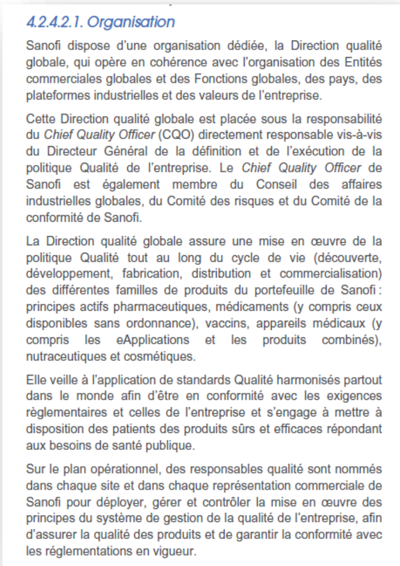
However, this information is not usually included in the sections covering risk management policies but is most often included at the beginning of the non-financial statement.

It is worth noting the practice of two companies, which systematically address the issue of governance surrounding the policies set out in the non-financial statement by way of an insert entitled *"Governance"* or *"Organisation"* that precedes or follows the paragraphs on *"Policies"* and *"Action Plans"*.

Governance
The Product Compliance Board (PCB) is Danone's governance body notably for nutrition and health topics. The Company's nutrition commitments and performance are overseen by the Nutrition Steering Committee, whose Chair reports to a member of the Executive Committee. This committee ensures that the Company's commitments are under control and that appropriate mitigation plans have been deployed.

[72] See §4.2 of the European Commission's guidelines on non-financial reporting, June 2017.

Source: Danone registration document



4.2.4.2.1. Organisation

Sanofi dispose d'une organisation dédiée, la Direction qualité globale, qui opère en cohérence avec l'organisation des Entités commerciales globales et des Fonctions globales, des pays, des plateformes industrielles et des valeurs de l'entreprise.

Cette Direction qualité globale est placée sous la responsabilité du *Chief Quality Officer* (CQO) directement responsable vis-à-vis du Directeur Général de la définition et de l'exécution de la politique Qualité de l'entreprise. Le *Chief Quality Officer* de Sanofi est également membre du Conseil des affaires industrielles globales, du Comité des risques et du Comité de la conformité de Sanofi.

La Direction qualité globale assure une mise en œuvre de la politique Qualité tout au long du cycle de vie (découverte, développement, fabrication, distribution et commercialisation) des différentes familles de produits du portefeuille de Sanofi : principes actifs pharmaceutiques, médicaments (y compris ceux disponibles sans ordonnance), vaccins, appareils médicaux (y compris les eApplications et les produits combinés), nutraceutiques et cosmétiques.

Elle veille à l'application de standards Qualité harmonisés partout dans le monde afin d'être en conformité avec les exigences règlementaires et celles de l'entreprise et s'engage à mettre à disposition des patients des produits sûrs et efficaces répondant aux besoins de santé publique.

Sur le plan opérationnel, des responsables qualité sont nommés dans chaque site et dans chaque représentation commerciale de Sanofi pour déployer, gérer et contrôler la mise en œuvre des principes du système de gestion de la qualité de l'entreprise, afin d'assurer la qualité des produits et de garantir la conformité avec les réglementations en vigueur.

Source: Sanofi registration document

In addition to a general presentation of the company's CSR-related governance, the other companies in the sample may develop content specific to one or other of the policies described, on an ad hoc basis. For example, six companies (L'ORÉAL, SCHNEIDER ELECTRIC, VEOLIA, SANOFI, KERING and BIC) provide details on the governance associated with their environmental policies, often with a more operational than strategic perspective.

3.2.4. Objectives, key performance indicators and results

- ☐ *Objectives*

As the European Commission states in its guidelines, the presentation of the policies implemented to manage non-financial risks should be accompanied by objectives. This seems to be essential for managing and monitoring the trends in the KPIs used to reflect these policies. The objectives set can therefore be quantitative or qualitative and must, according to the European Commission's recommendation, be "concrete".

With specific reference to the sample studied, more than 50% of issuers did not define objectives as part of implementing their policies, which may seem surprising.

Where objectives are defined, they are not systematically defined for each of the policies implemented. Furthermore, they may not be particularly meaningful, and how they relate to the policies described earlier in the non-financial statement is not always clear. This observation had already been made in 2016 in the previous edition of the AMF's CSR report. Although the sample is not identical, this is still an area for improvement in non-financial reporting. As in 2016, it is therefore recommended that *"companies that communicate on quantitative objectives which measure the company's commitment to certain social and/or environmental aspects: present clear, precise objectives that are well-argued and measurable; specify the time frame covered; and monitor these objectives in the reports for subsequent periods: progress made, extent to which they have been achieved, abandoned, (re)-adjusted, etc."*[73].

[73] 5th recommendation in the AMF's 2016 Report ("CSR objectives highlighted by companies")

In addition to monitoring long-term objectives, it may also be useful to report on the actions and results achieved over the past year given that they reflect the company's efforts to achieve these long-term objectives and are more broadly consistent with the strategy to control environmental and social risks. For example, in relation to the climate emergency, an issuer may provide details of the actions taken to reduce greenhouse gas emissions by discontinuing operations at certain sites.

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Setting objectives is important to illustrate the policies implemented.

It is also important to describe how the company plans to achieve these objectives and implement these action plans.

USEFUL REFERENCES

§3.4 of the European Commission's guidelines on non-financial reporting, June 2017

5th recommendation in the AMF's 2016 Report ("CSR objectives highlighted by companies")

- *Key performance indicators and results*

In accordance with Article R. 225-104 of the Commercial Code, all companies are required to report key performance indicators as part of their non-financial statement.

↗ *Presentation format*

With regard to the presentation methods adopted, all the companies in the sample publish KPIs throughout their non-financial statement that correspond to the sections developed on specific topics. More than half the companies in the sample (62%) have also chosen to develop a table summarising these KPIs, which is generally placed at the end of the non-financial statement. As noted above, clearly and visually identifying the existence of these KPIs, as the company below has done, makes the non-financial statement easier to read.

Health, Safety & wellbeing Results and KPIs for France

- **Quality of life survey**: Employee stress rate, measured in the Quality of life survey participation survey
  - 2018 Results: 29.4% participation rate, with following results:
    - 54% of employees with low stress,
    - 25.3% of employees with high level of stress but no specific problem generated;
- **Additional alert system**: Effectiveness of the additional alert system:
  - 2017 Results: 66 files handled (since March 2017),
  - 2018 Results: 38 files handled;
- **Teleworking use rate by employees**:
  - 2017 Results: 2,710 employees *i.e.* 11,43% of Capgemini workforce,
  - 2018 Results: 3,087 employees use teleworking, *i.e.* 12.44% of Capgemini France workforce;
- **Health Program**: 100% of employees have health and welfare coverage.

Source: Capgemini registration document

↗ *Choice of KPIs*

The European Commission guidelines devote a section to KPIs (§4.5) and highlight some points that merit attention. They point out firstly that *"companies are expected to report KPIs that are useful taking into account their specific circumstances"*. This means that KPIs must be consistent with those used internally to assess and manage its non-financial risks or to monitor its non-financial performance. The European Securities and Markets Authority (ESMA) has made this a priority in 2019, and it now recommends that the KPIs chosen for non-financial reporting be consistent with those used at the operational level and to determine executive compensation.[74] As the European Commission highlights, *"this makes the disclosures more relevant and useful, and improves transparency"*.

Some of the companies in the sample have paid particular attention to using certain KPIs used as part of their sustainable development strategy to illustrate the monitoring of their non-financial risk management policies. In the example below, the company has chosen eight key indicators to illustrate its environmental policy. However, it did not refrain from publishing other less strategic KPIs that are considered relevant to the subsequent discussion on each topic.

[74] See §12 and 13 of ESMA's 2019 European Common Enforcement Priorities (ECEPs) in annex 2.

Key targets and results

For this section, 8 key performance indicators have been set in the Schneider Sustainability Impact 2018-2020:

Objectives for year-end 2020	2018	2017
1. 80% renewable electricity	30%▲	–
2. 10% CO_2 efficiency in transportation	1.8%▲	–
3. 100 million metric tons CO_2 saved on our customers' end thanks to our EcoStruxure offers	51▲	–
4. 25% increase in turnover for our Energy & Sustainability Services	13.8%▲	–
5. 75% of sales under our new Green Premium program	45.7%▲	38.3%
6. 200 sites labeled towards zero waste to landfill	178▲	140
7. 100% cardboard and pallets for transport packing from recycled or certified sources	61.6%▲	50%
8. 100,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs	43,572▲	–

The 2017 performance serves as a starting point value for the Schneider Sustainability Impact 2018-2020.
▲ 2018 audited indicators.

Source: Schneider Electric registration document

Non-hazardous waste

In 2018, BIC Group's ratio of non-hazardous waste generated per ton of production decreased by 4.6% compared with 2017.

12 industrial sites improved their ratio of non-hazardous waste generated per ton of production between 2017 and 2018. These industrial sites, which represent 48% of the Group's annual production of finished and semi-finished products, reported a 9% decrease overall in their ratio of non-hazardous waste generated per ton of production.

For instance, BIC Shavers Mexico (Mexico) optimized its production process to generate less plastic waste. PIMACO Autoadesivos (Brazil) implemented a program to reuse wooden pallets, extending the life of the material and lowering the tonnage of wood waste recycled.

Regarding the main offices, non-hazardous waste production was 129 tons, which represented a decrease of 44% when compared to 2017, due in particular to the closing of BIC Graphic operations in Cajamar (Brazil) and extraordinary discarding activities of furniture and archives in 2017. The Shelton (U.S.) headquarters sends 100% of waste to recovery (recycled or incinerated with energy recovery). All three sites have a dedicated program to responsibly manage end of life for computer equipment. The Clichy headquarters (France) is studying the possibility of totally eliminating single-use cups and glasses for both employees and visitors starting in 2019.

More generally, it is important that the selected KPIs illustrate the risk management policies that the company has outlined earlier in the NFS. As the European Commission points out, *"the non-financial statement is not merely about providing lists of KPIs"*.[75] In keeping with the spirit of the non-financial statement, it is expected that the principles of conciseness and materiality will also be applied to the KPIs. In this regard, combining qualitative explanations with the selected indicators can help improve understanding of the company's approach. The European Commission also specifies that while *"users of information [...] greatly appreciate quantitative information as it helps them measure progress, check consistency over time and draw comparisons"*, *"appropriate narratives explaining KPIs help make the non-financial statement more understandable"*.[76] The following example illustrates the value of combining qualitative information with quantitative data to contextualise KPIs and thus make the content more understandable.

Source: Bic registration document

[75] See §3.2 of the European Commission's guidelines on non-financial reporting, June 2017.

[76] See §4.5 of the European Commission's guidelines on non-financial reporting, June 2017.

The analysis of the sample shows that while companies make every effort to select KPIs that are specific to them, there are KPIs that are common to the topics selected (for example, the environmental aspect) or the sector in question. In its 2016 CSR report, the AMF already had an opportunity to encourage the use of shared indicators within the same sector.[77] While this may allow better comparability of issuers for readers such as investors, it should be noted that the same indicator reported by two different companies may have been developed based on different methodologies. The thematic study on climate change presented below (see section 3.2.6) illustrates this point in particular.

↗ *Definition of KPIs and their trends*

As noted above, some companies in the sample have taken care to define and clarify certain aspects of the indicators using a methodology note, echoing ESMA's recommendation on this subject.[78]

It also seems important to be able to monitor these KPIs over time and justify their possible trends from one year to the next. This is a recommendation that the AMF had reiterated in its 2016 report, encouraging companies *"that use quantitative indicators to define them clearly, describe how they are calculated, and use them consistently from one period to another (insofar as the indicators still meet a need)"*.[79] The European Commission's guidelines also echo this recommendation, indicating that it is useful, for example, to explain *"why KPIs increased or decreased in the reporting year, and how KPIs might evolve in the future"*.

One company in the sample, for example, explains why the amount of direct fugitive emissions decreased by nearly 50% between 2017 and 2018.

INDICATOR: GREENHOUSE GAS EMISSIONS

Bilan Carbone® emissions by source *(in equivalent tonnes of CO_2 V.7 of the Bilan Carbone®)*	**From 01/10/2017 to 30/09/2018**	**From 01/10/2016 to 30/09/2017**	**From 01/10/2015 to 30/09/2016**
Scope 1: Direct emissions from fixed sources (generator fuel oil)	37	60	29
Scope 1: Direct emissions from mobile fuel combustion sources (reporting and company vehicles)	604	607	607
Scope 1: Direct fugitive emissions (refrigerant gases)	248(1)	487	410
Scope 2: Indirect electricity consumption-related emissions	1,216	1,258	1,334
Scope 2: Indirect steam consumption-related emissions	373	368	352
Scope 3: Emissions relating to energy consumption not covered by direct or indirect energy emissions	486	504	520
Scope 3: Products purchased	83,216	83,283	83,338
Scope 3: Fixed assets	-(2)	748	1,188
Scope 3: Waste generated	85	84	219
Scope 3: Business travel (excluding reporting and company vehicles)	3,316	3,764	3,735
Scope 3: Employee travel	1,329	1,329	1,290
TOTAL (EXCL. PRODUCT USE)	**90,909**	**92,492**	**93,021**

(1) The significant drop is related to ending use of R22 gas, a heavy greenhouse gas emitter.
(2) Following the IT outsourcing, the "buildings" source, related to the purchase of equipment is now recognised by the outsourcer in its own business.

Source: TF1 registration document

Companies must also compare KPIs with past performance, as indicated in Article R. 225-105-1 of the Commercial Code: *"The statements [...] present the data observed during the financial year ended and, where applicable, during*

[77] 4th recommendation in the AMF's 2016 Report ("Presentation of indicators")

[78] See §13 of ESMA's 2019 European Common Enforcement Priorities (ECEPs) in annex 2.

[79] 4th recommendation in the AMF's 2016 Report ("Presentation of indicators")

the previous financial year, so as to allow a comparison between the two data sets". ESMA attaches great importance to this point in its 2019 ECEPs insofar as it considers that a high degree of transparency should be provided on the progress of KPIs compared to the previous year. ESMA adds that they must be reconciled with the objectives set.[80] All issuers in the sample provide historical data, the majority over one (2017 only) or two years (2017 and 2016). Only five issuers provide historical data over a longer period, but this was never more than over four year. Historical data is very important for measuring policy outcomes, particularly when comparing it with previously established objectives.

2014-2018 roadmap: 2018 targets	2014: Target achievement rate	2015: Target achievement rate	2016: Target achievement rate	2017: Target achievement rate	2018: Target achievement rate	Ref.
Focus: User						4.2
Issue no. 1: Providing sustainable solutions						4.2.1
■ To increase by 50% Group sales of solutions that improve living conditions and comfort	57%	47%	51%	47%	47%	4.2.1.1
■ To actively continue deploying initiatives to improve product quality and tackle counterfeiting in the electrical industry	93%	94%	89%	96%	96%	4.2.1.2
■ To provide ISO 14025-compliant product environmental data for products accounting for two-thirds of Group sales	101%	101%	102%	106%	105%	4.2.1.3
■ To avoid the emission of 1.5 million metric tons of CO_2 equivalent	74%	105%	100%	110%	121%	4.2.1.4
Issue no. 2: Playing a driving role in the electrical sector						4.2.2
■ To continue providing training to industry participants through further innovation in response to local needs and conditions	122%	130%	146%	153%	159%	4.2.2.1
■ To continue developing university partnerships and collaborative research projects, and to implement the resulting innovations	83%	131%	114%	110%	113%	4.2.2.2
■ To provide feedback mechanisms and customer satisfaction measurement for 95% of Group sales	109%	112%	104%	104%	102%	4.2.2.3

Source: Legrand registration document

The above example represents a good practice in this respect. The issuer creates its own CSR roadmaps, the last of which covers 2014-2018, and provides the results of the rates at which its objectives are achieved over the entire time frame.

80 See §13 of ESMA's 2019 European Common Enforcement Priorities (ECEPs) in annex 2.

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It is important that the number of key performance indicators reported be kept to a minimum to ensure that the non-financial information statement is concise.

It is also important to justify the choice of key performance indicators in relation to the policies implemented and to ensure that they are monitored over time, in particular with regard to the objectives set.

USEFUL REFERENCES

§4.3 of the European Commission's guidelines on non-financial reporting, June 2017

§12 and §13 of ESMA's 2019 ECEPs

4th recommendation in the AMF's 2016 Report ("Presentation of indicators")

3.2.5. Overall consistency of the NFS

The new aspect introduced by the non-financial statement is to put the company's business model in perspective with the risks it has identified, the policies it has put in place and the performance indicators it uses to monitor these policies. One of the challenges of the analysis conducted for this report was therefore to assess the consistency between these different sections of the NFS.

In the sample studied, it appears that only a few companies stand out in terms of interconnecting these different areas. It is generally difficult to grasp the overall consistency of the NFS, which ultimately hinders understanding it properly.

Almost 90% of the issuers link the risks identified with policies implemented, but some practices could benefit from improvement, particularly with regard to linking a policy to the corresponding risk, for example. Without it being clearly specified, the reader may be led to believe that no policy has been implemented to address an identified risk. Referring only to non-financial issues, rather than to non-financial risks in accordance with the provisions of the Commercial Code, does not help the readability of the NFS.

It is worth recalling, therefore, as recommended by the European Commission, that *"information in the non-financial statement is interconnected. [...] Explaining key linkages and interdependencies improves the quality of the report."*

ISSUE N°11

It is important to ensure overall consistency between the business model, the risks identified, the policies implemented and the key performance indicators.

This can be achieved by using consistent terminology and providing a reader-friendly mapping between each risk, its management policy and its key performance indicator(s), such as a summary table.

USEFUL REFERENCES

§4 of the European Commission's guidelines on non-financial reporting, June 2017

3.3. FOCUS ON CERTAIN TOPICS DEVELOPED BY ISSUERS

Two themes have particularly drawn the attention of the AMF this year. On the one hand, greenhouse gas emissions insofar as the climate issue is a priority at both the French and European levels and is a concern shared by a large majority of issuers , all sectors combined. The AMF 2019 Report on Sustainable Finance in Collective Management will also focus on this theme. On the other hand, it seems that the issue of biodiversity is the theme prevailing for 2020 in view of the many studies and conferences devoted to this theme this year.

While these two themes seemed particularly topical, the fact remains that issuers are invited, in their materiality analysis, to consider the issues of sustainable development in a holistic and balanced way.

3.3.1. Carbon footprint

As previously mentioned, the issuers in the sample generally paid significant attention to the environmental topic. On this topic, the European Commission published a supplement on reporting climate-related information in June 2019. In the same way, the ESMA included a section dedicated to climate change in its 2019 ECEP[81].

In relation to the more specific subject of combating climate change, it appears that the companies can demonstrate dual materiality.

On the one hand, the materiality of issuers with regard to the environment can be considered in terms of **the impact of their operations on climate change**, and in particular with regard to their greenhouse gas (GHG) emissions. Greenhouse gas emissions contribute to global warming, which consequently has a direct impact on companies.

On the other hand, the impact of climate change on a company's operations also needs to be considered. This impact may take the form of opportunities or risks for the company, to varying degrees depending on the nature of its business or its geographical locations. The Task Force on Climate-related Financial Disclosure (TCFD), a working group of the Financial Stability Board (FSB), has published a set of recommendations to encourage better climate reporting practices. In this regard, the TCFD identifies two main risks related to the impact of climate change:

- Modelling the impact on issuers of market trends and regulations related to the transition to a low-carbon economy, known as "**transition risks**". It can be measured in financial terms or in purely "climate" terms.

[81] See §10 et 11 of ESMA's ECEP 2019 in annex 2.

- The impact that climate change, and in particular extreme weather events, can have on the issuer's "real assets" such as real estate. These are referred to as "**physical risks**" according to the TCFD's recommendations.

☐ *Impact of the company's operations on climate change*

Article L. 225-102-1 III of the Commercial Code, which lists the various elements to be provided in the NFS, includes *"information on the impacts the company's business activity and the use of the goods and services it produces will have on climate change".*[82] Moreover, Article R. 225-105 of the Commercial Code specifies certain environmental information that issuers must report *"where it is relevant to the company's main risks or policies."*[83] This information includes in particular various pieces of information related to climate change, such as:

- Significant sources of greenhouse gas emissions generated by the company's operations, in particular by the use of the goods and services it produces;
- Measures taken to adapt to the consequences of climate change;
- The reduction targets voluntarily set for the medium and long term to reduce greenhouse gas emissions and the measures implemented to achieve them.[84]

Nevertheless, as Patrick de Cambourg's report[85] points out, although the scope of reporting for this information is the scope of the consolidated financial statements, it is up to each issuer to decide on the nature of the information disclosed (scope of emission, methodology used, etc.). Accordingly, while all the issuers in the sample reported their greenhouse gas emissions, they did so in different ways, which requires further comment.

↗ *Methodology of scopes*

Another aspect that differentiates issuers is the scope of emission. Greenhouse gas emissions can be measured according to three scopes:

- Scope 1 includes greenhouse gas emissions directly related to manufacturing the product.
- Scope 2 includes all greenhouse gas emissions related to the energy consumption required to manufacture the product.
- Scope 3 includes all other greenhouse gas emissions that are not directly related to manufacturing the product but to other stages of the product's life cycle (sourcing, transport, use, end of life, etc.).

Of the 24 companies in the sample, 21 (87.5%) describe their GHG emissions for all three scopes. The calculation of Scopes 1 and 2 seems less complex and more easily quantifiable than Scope 3, and this is supported by the interviews with issuers carried out for this report. For example, one issuer measures the first two scopes on a monthly basis, ensuring that these emissions are accurately reported, but it only makes an annual estimate for Scope 3.

[82] See Article L. 225-102-1 III of the Commercial Code.

[83] See Article R. 225-105 II of the Commercial Code.

[84] See Article R. 225-105 II A 2° d) of the Commercial Code.

[85] See the May 2019 report submitted to the Minister for the Economy and Finance: *Garantir la pertinence et la qualité de l'information extra-financière des entreprises : une ambition et un atout pour une Europe durable* (Ensuring the relevance and quality of companies' non-financial reporting: an ambition and an asset for a sustainable Europe).

L'Oréal carries out an annually Greenhouse Gas Assessment (GHG Assessment) for all the Group's activities, in order to measure its CO_2 emissions and identify the action plans that will enable it to reduce its impact. This assessment, which has been performed since 2007 is made in accordance with the Greenhouse Gas Protocol (GHG Protocol) rules, the international reference method for recording GHG emissions. It makes it possible to determine the Group's total carbon footprint according to three defined scopes:

- **Scope 1**: *"direct emissions from sources owned or controlled by the reporting entity"*;
- **Scope 2**: *"indirect emissions related to the consumption of electricity, heat or steam necessary for production of the product or the operations of the reporting entity"*;
- **Scope 3**: *"other indirect emissions related to the supply chain (upstream emissions) and the use of products and services during their life cycle (downstream emissions)"*.

In 2017, work was carried out to improve all scopes of the GHG Assessment tool in order to refine its perimeters and input data and to align emission factors with those of SPOT (Sustainable Product Optimisation Tool: the Group's specific tool for assessing the environmental and social footprint for its products).

SCOPES 1 AND 2 – EMISSIONS MEASURED AND REPORTED ON A MONTHLY BASIS

These CO_2 emissions are measured by all the Group's sites and reported monthly.

Scopes 1 and 2 correspond to those for which the Group takes direct action *via* programmes to control energy consumption deployed on the sites and for the procurement of renewable energy. They are the subject of ambitious reduction targets as part of the *Sharing Beauty With All* programme (see section 3.4).

- the "Producing sustainably" objectives cover industrial sites (plants and distribution centres), and provide for a 60% reduction in CO_2 emissions in absolute terms between 2005 and 2020;
- commitments related to the "Working Sustainably" programme cover all administrative sites and research centres, and provide for a 60% reduction in CO_2 emissions in absolute terms between 2016 and 2020.

For 2018, all these emissions represented 55.5 thousand tonnes for the plants and distribution centres, and reduced by 77% as compared to 2005, and 33.4 thousand tonnes for the administrative sites and research centres reduced by 18% *vs* 2016.

SCOPE 3 – EMISSIONS ESTIMATED ANNUALLY

Scope 3 covers all other greenhouse gas emissions not directly related to the sites operated by the Group or to the manufacture of products in the plants but to other stages in its life cycle (procurement, transportation, use, end of life, etc.) and other impacts related to the Group's activities (business travel, etc.). These emissions are the subject of an annual estimate according to the GHG Protocol methodology.

In 2018, work was carried out on Scope 3 of the GHG Assessment in order to improve its input data and emission factors.

For 2018, L'Oréal Group's GHG balance is estimated to be 11,944 million tonnes, representing an increase of 2 million tonnes compared with 2017, mainly from the updating of the emission factors.

Source: L'Oréal registration document

Measuring Scope 3 is much less straightforward for issuers than calculating the other two scopes, due to its extent and complexity. However, some companies – particularly those in the automotive sector – generate most of their emissions within this scope and can only estimate them. Other issuers choose to use only some of the sources in Scope 3, arguing that those they select are the most significant. This saves them resources in terms of calculating the other sources.

SCOPE 3[b] Other indirect emissions – Use by customers of products sold for end use	Mt CO_2e	**400**	**400**	**420**	**410**
Net primary energy consumption (operated scope)	TWh	143[c]	142	150	153
Group energy efficiency indicator	Base 100 in 2010	88.4	85.7	91.0	90.8
Daily volume of all flared gas (Exploration & Production operated scope) (including safety flaring, routine flaring and non-routine flaring)	Mm^3/d	6.5	5.4	7.1	7.2
Of which routine flaring	Mm^3/d	1.1	1.0	1.7[d]	2.3[e]
Carbon intensity of energy products used by customers of the Group	g CO_2e /kBtu	**71**	**73**	**74**	**75**[f]

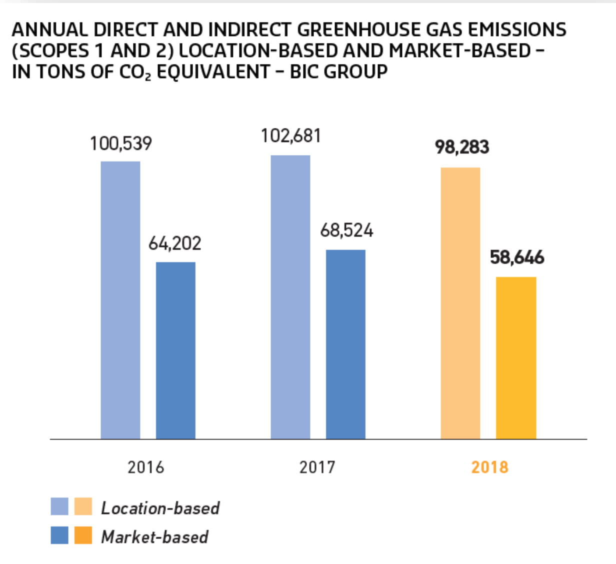
(a) Refer to point 5.11 of this chapter for the scope on reporting.
(b) The Group usually follows the oil industry reporting guidelines published by IPIECA which are conform to the GHG Protocol methodologies. In this document, only item 11 of scope 3 (use of sold products), which is the most significant, is reported. Emissions for this item are calculated based on sales of finished products for which the next stage is end use, in other words combustion of the products to obtain energy. A stoichiometric emission factor is applied to these sales (oxidation of molecules to carbon dioxide) to obtain an emission volume.
(c) Excluding primary energy consumption of Direct Énergie gas power plants.
(d) Estimated volume at end 2016 based on new definition of Routine Flaring published in June 2016 by the Working Group Global Gas Flaring Reduction.
(e) Volumes estimated upon historical data.
(f) Indicator developed in 2018, with 2015 as the baseline year.

Source: Total registration document

Consequently, Scope 3, where it is reported on, is not always complete or accurate because it is either being estimated or there are difficulties in terms of the methodology used to measure it. The figure of 87.5% of companies reporting their emissions for Scopes 1, 2 and 3 must therefore be put into perspective.

Furthermore, there are two possible approaches to calculating Scope 2: location-based and market-based.

- The location-based approach calculates the level of GHG emissions from energy use based on the average energy mix[86] of the area or country in which the issuer is located. This average energy mix gives a factor applicable to all issuers in the area.
- The market-based approach is more accurate but less straightforward to implement. The issuer must justify the origin of each energy source using contractual instruments and then aggregate all the emissions produced by each identified energy source based on its proportion.



Among the issuers in the sample, only 9 (38%) explained the methodology they used to calculate Scope 2. Some of these (5 issuers) chose the market-based approach exclusively, and the other four issuers opted for a combined market-based/location-based approach. This choice may be explained by the availability of data in certain geographical areas. This statistic therefore highlights the fact that the majority of issuers do not provide the methodology used to calculate their Scope 2, even though it is good practice to do so. The data collected can vary greatly from one method to another, and the reader needs to be aware of this bias.

Source: Bic registration document

[86] The energy mix represents the proportion of each energy source in the total amount of energy consumed (e.g. nuclear, renewable, coal, etc.).

↗ *Identification of GHG emission sources*

Regarding the identification of greenhouse gas (GHG) emission sources, the GHG Protocol (Green House Gas Protocol) is an international accounting tool that outlines principles for calculating these emissions. While its use is widespread, only 67% of the issuers in the sample refer to it explicitly. The other issuers may be using different standards based on the GHG Protocol.[87] This reference framework is a useful tool for identifying an issuer's main sources of GHG emissions. The GHG footprint does not aim to be exhaustive but rather adapts to the issuer and its business sector, which results in different practices.

Greenhouse gases are defined by the European Commission as a group of specific gases,[88] and issuers are therefore expected to aggregate all their emissions. To do this, in accordance with the GHG Protocol, a conversion to CO_2 is carried out to obtain an overall amount of GHG emissions in tCO_2e (tonne carbon equivalent). This practice improves the readability of the issuer's emission-related information but is done on the basis of estimates and approximations. It therefore seems important for issuers to inform readers about the methodologies used to obtain their results. Including these elements in the data is also a way of ensuring the readability of the information.

(unit: tonnes)	Year	CO_2	N_2O	CH_4	Indirect GHG emissions in CO_2 eq. (Scope 1)	GHG emissions from renewable sources (CO_2 eq.)*	Indirect GHG emissions in CO_2 eq. (Scope 2)	Total GHG emissions in CO_2 eq. (Scope 1 + Scope 2)
Automotive Activities (PCD + OV)	**2018**	**845,348**	**35.74**	**58.73**	**857,661**	**5,693**	**416,827**	**1,274,488**
o/w OV	*2018*	*445,213*	*19.49*	*31.18*	*451,910*		*248,053*	*699,963*
o/w PCD	*2018*	*400,135*	*16.25*	*27.55*	*405,751*	*5,693*	*168,775*	*574,526*
(PCD)	2017	398,201	16.17	27.28	403,786	5,289	160,080	563,866
(PCD)	2016	394,434	16.08	27.21	399,991	5,591	161,513	561,504
Automotive Trade (PCD + OV)	**2018**	**20,072**	**0.85**	**1.34**	**20,352**		**19,116**	**39,468**
(PCD)	2017	22,633	0.96	1.52	22,951		22,468	45,419
(PCD)	2016	23,375	0.97	1.53	23,697		25,456	49,154
Faurecia	**2018**	**118,796**	**5.07**	**7.58**	**120,466**		**596,327**	**716,793**
	2017	111,947	4.81	7.20	113,530		567,253	680,783
	2016	108,604	4.66	7.03	110,139		551,124	661,263
TOTAL	**2018**	**984,216**	**41.66**	**67.65**	**998,479**	**5,693**	**1,032,270**	**2,030,749**
	2017	532,781	21.94	36.00	540,267	5,289	749,801	1,290,068
	2016	526,413	21.71	35.77	533,827	5,591	738,183	1,272,010

* *Greenhouse gas emissions from the combustion of biomass (wood at the Vesoul site) are not included in direct emissions in accordance with the GHG Protocol guidelines.*
GHG emissions expressed in tonnes of CO_2 eq. are calculated by applying coefficients (global warming powers) of, respectively, 298 for N_2O and 21 for CH_4 (source: IPCC Reports, 2006 and 1995 respectively). Indirect emissions are calculated based on the purchase of electricity and steam in compliance with emissions factors obtained from steam suppliers and by using the same factors as the year before for electricity.

<u>Source</u>: Peugeot SA registration document

Furthermore, the methodologies used to calculate these GHG footprints may change from year to year, including the value of the factors used to convert GHGs to tCO_2e. It is therefore useful to highlight a possible restatement of historical data resulting from a change in methodology.

[87] Among them is the IPIECA standard for the oil industry sector.

[88] Gases listed in Annex II of Directive 2003/87/EC: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), fluorescent hydrocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF_6).

Restatement of historical data

In the interests of transparency and comparability of data, the emissions for the reference years and for 2015-2018 are given in the table of quantitative data published on the Group's corporate website.

In order to cancel out the variations related to emission factors, which change from year to year, we apply the emission factors for the current year to all the previous years, up until our reference year, which is 2014.

Source: Société Générale registration document

In addition to calculating GHG emissions, the Commercial Code requires the issuer to identify *"the significant sources of greenhouse gas emissions generated by the company's operations, in particular by the use of the goods and services it produces"*.[89] It is essential for the reader to be able to identify the main production factors responsible for GHG emissions in the company.

Of the issuers in the sample, 79% addressed their significant emission sources. These issuers have often used tables and graphs to clearly present the information.

Greenhouse gas emissions by source

(Kt CO_2 eq.)

Simplified sources Bouygues group	Scope	Bouygues Construction	Bouygues Immobilier	Colas	TF1	Bouygues Telecom	2018 Group total
Energy consumption (on-site combustion)	Scope 1	314	3	1,703	0.1	6	2,026
Direct emissions excluding energy	Scope 1		0.2		0.8	6	7
Consumption of electricity, steam, heat or refrigeration	Scope 2	301	1	354	2	52	710
Purchases of goods (raw materials, construction materials, etc.) and of services	Scope 3	2,318	599	7,968	83	224	11,192
Waste generated by operations	Scope 3	46	0.2	396	0.1	2	444
Upstream and downstream freight transport	Scope 3	123		1,038		5	1,166
Investments, fixed assets and leasing	Scope 3		3	585		382	970
Travel of employees (business trips and commuting), visitors and customers	Scope 3	109	5	225	5	46	390
Use of products and services sold	Scope 3					57	57
End-of-life of products sold	Scope 3		37			4	42
TOTAL		**3,211**	**648**	**12,269**	**91**	**784**	**17,003**

Source: Bouygues registration document

↗ *Organisational scope*

In addition to the emission sources and scope methodologies, another important variable is the scope used by the issuer in its climate reporting. Issuers are required to provide a non-financial statement that covers a consolidated scope. However, in practice, issuers have often opted to exclude certain entities from the scope of carbon reporting.

89 See Article R. 225-105 II A 2° d) of the Commercial Code.

This is the case with some issuers that exclude their small entities from environmental data and therefore from GHG emissions data. It is important to provide clear and understandable information on any exclusion from the scope.

> **Environmental reporting**:
>
> - A cut-off was used to remedy the difficulties of collecting information on the <100 FTE entities (though excluding these entities still made it possible to cover over 80% of the workforce in the financial consolidation) with the exception of Crédit Agricole CIB.
> - The scope covered by the 2018 environmental data includes France and the subsidiaries with over 100 employees (excluding KBI Global Investors, an asset management company acquired by Amundi in 2016), i.e.: France, the United Kingdom, Italy, Ireland, Austria, Germany, Japan, and the United States. The scope of the environmental data corresponds to a coverage ratio of 89.2% of the Amundi Group's workforce. The reporting scope includes subsidiaries formerly owned by Pioneer, which now have become part of Amundi.

Source: Crédit Agricole SA registration document

Apart from these exclusions, issuers are also faced with another choice in terms of organisational scope, which further accentuates the differences between their GHG footprints. This choice relates to whether to include subsidiaries. There are two possible practices:

- Consolidate subsidiaries' emissions in proportion to their acquired participating interest (for example, consolidate 35% of the GHG emissions of a subsidiary that is 35% owned by the issuer).
- Consolidate 100% of the emissions of the subsidiaries over which the issuer exercises control, either financial (accounting consolidation) or operational.

Both these approaches are valid but subject to discussion. For example, merely having a participating interest does not necessarily imply that the issuer can influence the subsidiary's GHG emissions. Among the issuers in the sample, the information is not always easy to identify, and companies sometimes do not explain their methodology on this subject.

> **Scope –** The scope of consolidation for the environmental data covers all of the Group's manufacturing sites (88 sites) and covers companies that are over 50%-held by the Company, either

The example below is a company that prefers to include entities in which it has a participating interest with financial control.

Source: Nexans registration document

↗ *On the usefulness of a methodology note*

Following these various observations concerning the methodologies used by the issuers, providing a methodology note specifying the choices made (see Issue 5, section 3.1.5) and the uncertainties observed seems all the more useful in this field.

☐ *Impact of climate change on the company's operations*

As mentioned in the introduction to this topic on climate change, there are two types of materiality for issuers in this area. The consequences of a company's operations on climate change through GHG emissions have just been discussed. The next step is to illustrate materiality in the opposite direction, that is, the impact that climate change can have on a company. Although this information may be of less interest to investors, this approach is encouraged by the new supplement to the European Commission's guidelines on climate reporting. In general, it is covered in less detail in the NFS than the GHG footprint. The information provided on this subject is strongly influenced by the work of the TCFD through its recommendations on climate reporting standards.

Annexed reports

The focus of this report is only on the NFS produced by the issuers in the sample selected. Nevertheless, as part of this specific focus on climate, it seems important to highlight that a significant part of the information related to climate change is sometimes contained in annexed reports.

In the interests of brevity of the NFS, the issuers shared, during interviews, their practice of producing dedicated reports. These reports, which are more technical and more detailed, are aimed at investors who already have a thorough knowledge of the subjects covered. For example, several issuers have produced separate climate reports.

Physical and transition risks

The Task Force on Climate-related Financial Disclosure has published a set of recommendations to encourage better climate reporting practices. In this regard, the TCFD identifies two main risks related to the impact of climate change.

> **Climate change and TCFD (Task force on Climate-related Financial Disclosures)**
> [GRI 201-2]
>
> A global climate change is occurring. Atos works to anticipate the future changes induced by climate change and to mitigate these changes in the countries where it operates. As part of the world effort to tackle climate change, Atos progressively reduces its own energy consumption and carbon footprint. Atos is also convinced that digitization and artificial intelligence offer enormous opportunities for optimizing the use of resources and reducing the overall impact of human activities.
>
> Atos welcomes the recommendations from the Financial Stability Board (TCFD - Task force on Climate-related Financial Disclosures) to assess and anticipate the consequences of climate change (risks, opportunities) whether in terms of prevention, mitigation, adaptation or transformation.
>
> Atos uses the scenario analysis approach to assess the resilience of its activities, considering different climate-related scenarios, including a 2°C scenario and a business as usual scenario at 4°C.

The first risk is the so-called "transition" risk. It is related to the effects on the issuer of the transition to a low-carbon economy, particularly in terms of regulation and market trends. These risks are based on temperature increase climate scenarios provided by the TCFD. They may be at several levels of increase (an increase of 2°C, 4°C, etc.). In our sample, 18 issuers (75%) mention transition risk as one of their material risks, although not all of them refer to the TCFD in this regard. However, it is useful to understand the climate scenario context in which the issuer is positioning itself to assess this transition risk.

Source: Atos registration document

One company in the sample in particular followed the practice of providing quantified information on the resilience of its business model to the effects of climate change. However, the practice is problematic and subject to challenges in terms of methodology and legal liability, which explains why most issuers do not report on this point even though they are working on it internally.

Resilience of the organization's strategy

In order to ensure the viability of its projects and long-term strategy in light of the challenges raised by climate change, the Group integrates, into the financial evaluation of investments presented to the Executive Committee, either a long-term CO_2 price of \$30 to \$40 per ton (depending on the price of crude), or the actual price of CO_2 in a given country if higher.

Regulations designed to gradually limit fossil fuel use may, depending on the GHG emission limits and time horizons set, negatively and significantly affect the development of projects, as well as the economic value of certain of the Group's assets.

The Group performs sensitivity tests to assess the ability of its asset portfolio to withstand an increase in the price per ton of CO_2. These studies show that a long-term CO_2 price of \$40/t[2] applied worldwide would have a negative impact of around 5% on the discounted present value of the Group's assets (upstream and downstream). In addition, the average reserve life of the Group's proved and probable reserves is approximately 20 years and the discounted value of proved and probable reserves beyond these 20 years is less than 10% of the discounted value of the Group's upstream assets.

As part of the annual preparation of its long-term plan, TOTAL makes long-term energy demand forecasts (oil, gas and electricity). The Group presented in February 2019 these forecasts (Total Energy Outlook), available on total.com.

Source: Total registration document

4.1.3.8 Risks related to weather conditions and natural phenomena

The activities of Colas may be sensitive to weather conditions. Adverse weather such as rain, snow or frost may lead to site shutdowns or business interruption, with the result that fixed costs may not be covered; it may also generate additional costs to complete a contract (increased use of temporary staff, plant hire) within a shortened timescale.

In addition, other natural phenomena such as earthquakes, floods, cyclones, storms and lightning may disrupt operations or lead to the accidental destruction of infrastructure under construction.

The second risk identified by the TCFD concerns the so-called "physical" risk. This is related to the impact that climate change, particularly as a result of extreme weather events, could have on the issuer's physical assets, in particular infrastructure and real estate.

Source: Bouygues registration document

Without necessarily explicitly naming the risk in this way, 79% of the sample referred to physical risks. However, the link between extreme weather events and climate change is not always explicitly stated. In this respect, companies in the real estate or infrastructure sectors are more exposed than other issuers.

3.3.2. Biodiversity

- *Context*

Article R. 225-105 of the French Commercial Code states that the extra-financial performance report contains, where relevant in relation to the main risks or policies identified by the company, information relating to the protection of biodiversity. the measures taken to preserve or restore it.

While the Convention on Biological Diversity, an international treaty adopted at the Earth Summit in Rio de Janeiro, recognizes since 1992 the importance of preserving natural capital and biodiversity, biodiversity is on the agenda of major initiatives since 2018 and will be at least until 2020:

- July 2018: "Biodiversity Plan" presented by the French Government;
- July 2018: "Act4Nature" bringing together the commitments of companies, published by EpE;
- April 2019: 7th plenary session of the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) in Paris;
- May 2019: French Presidency of the G7 - World Agroforestry Congress;
- June to 2020: International Congress of the International Union for the Conservation of Nature (IUCN) in Marseille;
- November 2015 COP 15 Biodiversity (CBD) in China to evaluate the 20 Aichi Targets.

The year 2019 have been marked by an acceleration of the awareness to treat the subject. Several initiatives have sought to draw more attention to this issue, such as the G7 Environment in May 2019, when the OECD issued a report recalling that "businesses and financial institutions can undermine this issue. biodiversity and ecosystem services, through their activities, supply chains and investment decisions "90. He emphasizes that "at the same time, businesses and financial institutions depend on biodiversity and ecosystem services to produce goods and services". Thus, the alteration of biodiversity can have a significant impact for private actors. The OECD notes, however, that "the awareness and commitment of businesses to biodiversity remains too limited, although some, looking to the future, are more concerned." A report91 published concurrently by WWF France and AXA at the request of the Ministry for Ecological Transition and the Environment has also formalized a set of recommendations for the political, financial and economic spheres. This report highlights the need to develop impact measurement indicators. While the report calls in particular for the competence of non-financial rating agencies, companies also seem to be involved in this exercise.

As such, many initiatives exist, carried by actors of different nature. At the French level, the French Initiative for Business and Biodiversity, aims to create since 2013 a meeting space, open to all organizations with a desire to raise awareness and stimulate exchanges around issues of preservation of biodiversity and biodiversity. ecosystem functioning. More recently, the Act4nature initiative, initiated in July 2018 by the association Companies for the Environment92, aims to mobilize companies to protect, enhance and restore biodiversity. Specific commitments have been published at the creation of the initiative and an initial assessment of their follow-up should be carried out in 2020. This initiative thus combines a shared commitment shared by all the organizations that have joined the initiative (aimed in particular at integrating the question of biodiversity in all activities, governance and strategy) as well as individual commitments defined by each company.

At the international level, the Natural Capital Protocol developed by the Natural Capital Coalition93 is gradually becoming a reality. It is a decision-making and reporting framework intended to help companies publish

[90] *Biodiversity: Finance and the Economic and Business Case for Action*, OECD, May 2019 (on the following link).

[91] *Into the wild, integrating nature into investment strategies*, WWF/Axa, mai 2019

[92] The AFEP, MEDEF, CD3, GLOBAL COMPACT, F4T, OREE and ORSE are partners in the initiative. As an NGO, the WWF is also a partner of the initiative.

[93] This coalition brings together 300 international organizations.

information relating to the direct and indirect impact of their activity on biodiversity (identification, measurement, evaluation, control of associated risks, etc.). The protocol provides relatively precise and detailed tools to guide companies in their approach.

Finally, if many other initiatives exist, it is worth mentioning the one announced at the United Nations Climate Action Summit in September 2019 by a coalition of 19 international companies (including three French companies[94]) with a total of 500 billion dollars in revenue. case and entitled One Planet Business for Biodiversity.

The initiative is divided into three parts of action, effective from 2020:

- widely deploy regenerative agriculture practices to protect soil health;
- develop product portfolios to stimulate cultivated biodiversity and make food and agricultural models more resilient;
- eradicate deforestation and improve the management, restoration and protection of natural ecosystems rich in biodiversity.

The following two deadlines are already planned: by June 2020, it is planned to draw up a collection of relevant solutions whose impact is measurable, solutions that can be adopted by the members of the initiative in their value chains. Finally, by October 2020, the mobilized companies will present ambitious commitments - measurable and with defined time horizons - at COP15 of the Convention on Biological Diversity (CBD), accompanied by public policy proposals that will promote success of the initiatives implemented.

- *Analysis*

In the context of this report, it was therefore considered useful to pay particular attention to this topic, which is addressed by most issuers in the sample, but in a rather heterogeneous manner. Of the 24 societies studied, 18 (75%) devote a section to issues and policies related to biodiversity. If the subject is not addressed in six companies, four of them justify it by evoking the non-material nature of this issue with regard to its business model.

The use of standards is subject to divergent practices. It is interesting to note that 7 of the 18 companies (39%) that deal with biodiversity do not use a repository to deal with this theme. Among the 11 companies that make use of it, the choice of reference framework is often specific to a sector or a branch of activity (for example, the Biodivercity label). Seven companies, however, refer to the Act4Nature initiative. Nexity mentions the commitments it has made in the context of this initiative, an initiative that it has called "Nature in cities, biodiversity and soil preservation".

The analysis of the materiality matrices of the sampled emitters shows that the stakes related to the loss of biodiversity are not generally perceived as significant. For issuers from the technology sector, the risks associated with the loss of biodiversity are therefore relatively insubstantial. However, issuers from the consumer goods, industrial and real estate sectors deal with the subject in more detail, linking it closely to their business strategy in some cases. An issuer thus indicates that "the protection of biodiversity is an essential element of its corporate strategy" (Kéring).

For some issuers, the interdependence of their activity with the state of natural resources is decisive. Thus, Veolia provides details on the specific risks that arise from "ecosystem services".

[94] Danone, Kéring, L'Oréal.

Veolia has analyzed the dependence of each of its business activities on ecosystem services:

- the production of drinking water is directly tied to a properly functioning water cycle: precipitation, plus storage capacity in catchment areas, ensure that the resource is available. Leveraging the benefit of ecosystems in regulating the quality of water (auto-treatment) helps to maintain good quality water resources used for drinking water production and therefore limit the amount of treatment needed to ensure water is fit for consumption;
- wastewater treatment activities are dependent on ecological factors as well: microbial activity, and the ability of downstream aquatic environments to assimilate residual water content, are critical to wastewater treatment;
- for energy, biomass operations require a sustainable supply of wood energy;
- waste storage, composting and soil remediation all rely on the structure and nature of the soil, as well as biological processes to break down organic material.

Source : registration document of Véolia

Of the companies that have a risk management policy in place (18), 61% support their biodiversity policies with figures or key performance indicators. This proportion, which is lower than that for other environmental and social issues, reflects the room for progress that remains to be made in developing methodologies and indicators for this issue. In this area, the use of benchmarks and indicators developed by labeling organizations for example, seems to be all the more useful.

Indicator	Scope (activity or region)	Coverage	2018	2017
Number of m² carrying the BiodiverCity Ready label or covered by a commitment to obtain it at 30 September 2018	France excluding subsidiaries	89% of Bouygues Immobilier's consolidated sales	239,755	34,755

Source : registration document of Bouygues

In this year's DPEFs, the subject of biodiversity still seems to be lagging behind the extra-financial reporting, although the subject is moving up more and more into the discussions and starting to make strong commitments.

As on the subject of climate, beyond the political aspect, questions of mobilization, more standardized methodology and impact indicators seem essential. It also appears that this dimension is less well apprehended by issuers.

We can only support the establishment of methodologies and indicators shared by all who are able to demonstrate the underlying impacts of corporate business models in terms of biodiversity.

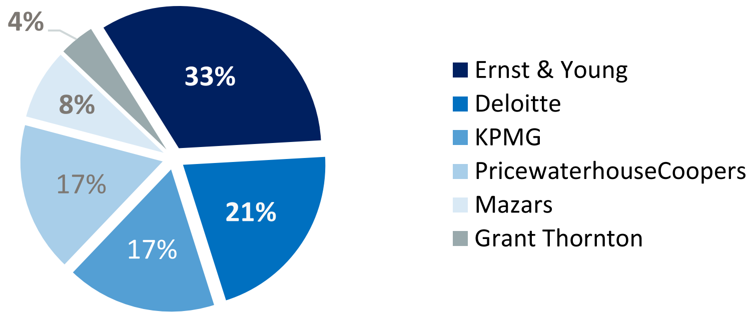
3.4. INDEPENDENT THIRD-PARTY BODIES

Article L. 225-102-1 V of the Commercial Code stipulates that companies exceeding the thresholds required to produce an NFS must, on a consolidated basis, have the information contained in their NFS audited by an independent third-party body.[95]

All companies in the sample complied with this provision. The selected independent third-party bodies (ITBs) therefore had to undertake the new task of auditing the non-financial data included in the NFS. Despite some questions related to this new exercise, ITBs have taken ownership of this audit, not hesitating to make comments. Several observations emerge from the analysis of the 24 ITB reports.

- *Standardised reports*

Firstly, **the ITBs used by the companies in the sample are a group of only six firms:**



These ITBs are all statutory auditors whose role as ITBs is accredited by COFRAC.

Their reports appear to be very standardised in terms of format. Furthermore, the due diligence procedures used to carry out the audit task are essentially the same. This consistency is mainly due to the low number of different ITBs used, but also to the industry's desire to harmonise analysis methods.

The variability from one report to another relates to the number of items checked, the inclusion of comments and the existence of a possible additional report.

- *Audit of key performance indicators*

No ITB is auditing all key performance indicators. This is due in particular to the physical and methodological complexity of collecting and verifying non-financial information from transnational corporations such as those in the sample. During interviews, the ITBs advised that they found it difficult to consolidate this information with the resources and within the time available.

As a result, the ITBs selected the key performance indicators that they considered to be "the most important". It is good practice to identify, in an annex and/or throughout the NFS (using an acronym), the key performance indicators that have been verified by the ITB.

[95] See Article L. 225-102-1 V of the Commercial Code: *"For companies whose balance sheet total or turnover and number of employees exceed thresholds determined in a Conseil d'Etat decree, where applicable on a consolidated basis, the information contained in the statements referred to in I and II shall be audited by an independent third party body, in accordance with procedures determined in a Conseil d'Etat decree. This audit shall give rise to an opinion that shall be sent to the shareholders [...]."*

Appendix 1: The most important information

SOCIAL INFORMATION

Quantitative Information (including key performance indicators)	Qualitative information (actions or results)
Frequency rate of accidents with lost time Frequency rate of accidents with and without lost time Severity rate of accidents Number of category 1 accidents Headcount Percentage of women among new hires Breakdown of women by socio-professional category in percentage Number of employees with a disability Number of collective bargaining agreements Voluntary turnover of managers and professionals Breakdown of turnover by cause Average number of hours of training per employee Absenteeism rate	Employment (attractiveness, retention, absenteeism) Health and safety (prevention actions) Social relations (social dialogue, collective agreements), training Equal treatment (equality between men and women, fight against discrimination, insertion of people with disabilities)

ENVIRONMENTAL INFORMATION

Quantitative Information (including key performance indicators)	Qualitative information (actions or results)
Production of hazardous and non-hazardous waste in tons Breakdown between recovered and not recovered waste Number of accidental spills Percentage of ISO 14001-certified sites Category 11 CO_2 emissions related to the use of Valeo products (scope 3) between 1 January 2018 to 31 December 2018 in kt eq. CO_2	The results of the environmental policy (certifications, products) Pollution prevention measures (water and soil) Circular economy (waste management and waste treatment) Climate change (significant emissions sources)

SOCIETAL INFORMATION

Quantitative Information (including key performance indicators)	Qualitative information (actions or results)
Share of production purchases for which the suppliers' sustainable development practices were assessed during the year Percentage of identified suppliers having provided a certified report on conflict minerals Share of employees who acknowledged receipt of the Code of Ethics Share of the target population which completed the online training program on anti-corruption Share of new comers who completed the online training "Anti-Bribery Induction Program"	Subcontracting and suppliers (environmental and social issues) Actions in favor of human rights, in particular, respect for fundamental ILO Conventions

Source: Valeo registration document

The audit covers only part of the consolidated scope for each key performance indicator audited. The scope covered varies greatly from one key performance indicator to another and from one issuer to another. For example, the audit of the non-financial information of one issuer (Total) only covers 5 to 28% of the consolidated data depending on the indicator used, mainly because of the difficulty of consolidating the data from its large, far-reaching physical network.

The complexity of the ITBs' audit task also results in only a "moderate" level of assurance from the ITBs on the indicators analysed.

In order to obtain a more in-depth audit of their non-financial information, 42% of the issuers in the sample requested an additional report from their ITBs. In almost all cases, these reports analyse part of the information already audited in order to obtain a higher quality level of assurance referred to as "reasonable".

The study noted the practice of one issuer that requested an additional report in order to obtain a moderate level of assurance on the rates of achievement of its 2018 objectives (2014-2018 roadmap). The audit by an ITB of its objectives is a practice to be encouraged because it ensures that the policies pursued have been followed faithfully.

Moderated assurance attestation on the 2018 achievement rates of the 2014-2018 Roadmap

NATURE AND SCOPE OF OUR WORK

Regarding the 2018 achievement rates of the 2014-2018 Roadmap presented in the summary table of paragraph "4.1.7 – 2014-2018 roadmap and overall performance" in the management report, we conducted work of the same nature as the work described in section above regarding the CSR Information that we considered to be the most important.

We consider that this work allows us to express a limited assurance conclusion on the 2018 achievement rates of the 2014-2018 Roadmap.

CONCLUSION

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the 2018 achievement rates of the 2014-2018 Roadmap, taken as a whole, are not presented fairly in accordance with the Guidelines.

Source: Legrand registration document

- *Comments from ITBs*

Finally, 11 NFS (or 46% of the sample) received comments from the ITBs that audited them.

- These comments, where provided, cover a variety of areas with frequent points of focus on scopes and data collection. The reports on the NFS that received comments have between one and three of them (six with only one comment, three with two comments and two with three comments).

- While some comments clarify a technical point, others appear to provide guidance to issuers.

Comments

With qualifying the conclusion expressed above and in accordance with article A. 225-3 of the French Commercial Code, we make the following comments:

Indicators and their definition could be stabilized, in order to increase the readability of the published information, in particular regarding the evolution of the performance. In addition, the reporting guidelines remain to be updated and clarified following the changes in some indicators definitions.

Source: Atos registration document

This example illustrates the contribution that an ITB can make to improving disclosed information. However, following interviews with some ITBs, they expressed their difficulty in providing detailed guidance to issuers on preparing their NFS, mainly because of a lack of regulatory clarity and a lack of documented practice in this area.

This also explains why no reservations were found in any of the NFS in the sample. The ITBs did not wish to adopt a categorical approach and made their comments exclusively in the form of comments. The analysis of the NFS highlighted the good practice among some issuers of taking into account the ITB's comments in their NFS, thereby demonstrating transparency and clarity.

Comments

Without qualifying our opinion, in accordance with article A. 225-3 of the French Commercial Code (*Code de commerce*), we draw your attention to the following matters:

- improvements still need to be made in the organisation of the reporting of social and health and safety related information, specifically with regard to the reporting of data by the overseas entities;
- for training indicators, due to the deployment of the Orange Learning Group IT system in the overseas subsidiaries, the data for 2018 are provided for the Orange SA scope only, covering 54% of the Group's consolidated headcount;

Number of training hours per employee	2018	2017	2016
over the Group	NA (1)	29.6	28.7
over Orange SA	30.4	33.0	31.9

(1) Due to the ongoing deployment of the *Orange Learning* Group tool in the international subsidiaries, the data for the 2018 financial year are disclosed on the Orange SA scope, covering 54% of the Group's consolidated workforce. Group 2018 data will be published during the communication of the next financial year.

Source: Orange registration document

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A good practice for issuers is to make commitments to work on the issues identified by independent third-party bodies in their review of the non-financial information statement.

Similarly, independent third-party bodies could also identify an issue as either a one-off problem (linked to the production of an initial non-financial report, for example) or a more structural problem.

3.5. CONCLUSION: 2019, A YEAR OF TRANSITION

The development of this new extra-financial reporting format revealed potential difficulties for issuers for this first year. Indeed, implementing the principle of materiality and conciseness of the non-financial statement proves to be a delicate exercise. In the same way, ensuring the overall consistency of the NFS by putting into perspective the different pillars of the extra-financial performance declaration implies going beyond the logic of regulatory compliance to include a more strategic approach, in the spirit of what this new regulation is aimed at.

The analysis of the sample of French companies selected for this study has identified 12 key issues related to the preparation of a non-financial statement, two of which seem particularly delicate. First of all, it is important to focus on the conciseness of the non-financial statement by limiting it to only the subjects that the company considers material. The use of supports other than the NFS, for example digital, may be considered to meet the requirements of certain stakeholders that lead to the publication of information that is not considered material. Secondly, it is essential to ensure overall coherence between the business model, identified risks, applied policies and key performance indicators through the use of a uniform term and easy correspondence between each risk, its management policy and its key performance indicator (s), for example via a summary table. The choice to cite examples from the reference documents of the issuers in the sample illustrates these issues.

The AMF hopes to guide issuers in the development of their NFS in 2020. Other assessments made by various stakeholders in this first year of implementation of the NFS should also contribute to this.

4. INTERNATIONAL COMPARISON ON THE OIL SECTOR

4.1. INTRODUCTION

- *Presentation of the sector and companies studied*

The purpose of this last section is to provide an international perspective to the report by studying certain European companies required to publish a non-financial statement pursuant to Directive 2014/95/EU.

The study covers six European companies (BP, Shell, OMV, Repsol, Eni and Total) in the oil energy sector from five different countries (United Kingdom, Austria, Spain, Italy and France). It aims to identify the main trends in the presentation of non-financial information following the transposition into law of the Directive, in force since 2014.

Indeed, despite France's late transposition, the non-financial directive has been applied for two years in the majority of the countries in the sample studied. The selected British, Austrian and Italian companies have the advantage of being in the second year of applying the non-financial directive and of having had some time to implement it.

Moreover, the analysis, through studying reports on the disclosure of non-financial information from companies in the same sector, has the dual advantage of comparing both the differences in transposition observed between Member States and the industry convergence among oil companies.

On the first point, the comparison of the different reports reveals the differences in transposition regarding, for example, the location of the non-financial statement, its audit by a third-party body, the presentation of the business model, the materiality analysis or the scopes studied.

On the second point, the comparison aims to identify the convergence (and divergence) of observations in the non-financial reporting of companies with a similar activity. In order to reveal common trends, the comparison focuses on different sections of the non-financial reporting content, such as risks, key performance indicators and objectives identified by the companies.

By broadening the comparison of the transposition of the non-financial directive to European companies, it should be possible to identify the main areas of divergence within the same sector in order to determine the aspects to be further developed with a view to making the information more understandable and consistent for the various stakeholders.

4.2. COMPARATIVE STUDY

- *Format and methodology of the non-financial statement*

  - ↗ Location of the information

BP	Shell	OMV	Repsol	Eni	Total
Non-financial information is included in the annual report and is fragmented across the different sections. The section devoted exclusively to non-financial information is about ten pages long. BP also published a separate 84-page report on non-financial information.	Non-financial information is presented in Shell's 300-page annual report. CSR information is spread over several sections but is addressed in a more compact form over 15 pages towards the end of the strategic report. An 86-page report devoted solely to sustainability is also available.	A separate 133-page report describes the company's sustainable strategy in detail and complies with the requirements of the European directive. Non-financial information is also included in a highly condensed form in OMV's annual report (240 pages).	Non-financial information is included in the company's integrated management report (167 pages). It is presented in a fragmented manner, but there are about 45 pages that address it exclusively. Repsol publishes several reports that focus on its sustainable development strategy on its website (e.g. Global Sustainability Plan, 27 pages).	Eni's annual report (288 pages) contains the company's non-financial information, presented in a fragmented manner. The report devotes a 30-page section to it, where it is discussed exclusively. The company also publishes a separate 72-page report on its sustainable strategy.	The annual report (444 pages) contains a 48-page section devoted to Total's non-financial information. Some information, such as the business model or risk factors, is outside the main section devoted to the NFS. In addition to the registration document, Total publishes two additional reports. The first one focuses on climate (56 pages) and the second on human rights.

Observation #1: The length of the section devoted to non-financial information varies considerably between the different issuers studied, because there is no reporting format to follow. This observation is in line with that made during the study of a sample of French companies, outlined in the third part of this report.

OMV presents its non-financial information over 133 pages, while BP and Shell present it over about 10 and 15 pages respectively. The information is summarised over 30, 45 and 48 pages for Eni, Repsol and Total respectively.

↗ Scope

BP	Shell	OMV	Repsol	Eni	Total
The reporting scope is mainly focused on the group. KPIs specify the scope used to measure the effects of non-financial policies.	The reporting scope is at the group level. The company has a section that details the various scopes associated with the terms used.	The reporting scope is specified at the beginning of the report. OMV indicates that it consolidates its data at a group level, with variable scopes depending on the nature of the non-financial data.	Reporting is based on data collected at the group level.	The company has a section devoted to defining the scopes of reporting. Non-financial information is provided at the group level.	In a section devoted to reporting scopes and methodology, Total indicates that it mainly uses the group-level scope.

Observation #2: Information on Scope 3 greenhouse gas emissions is not included in the report of all companies in the sample.

Information on Scope 3 greenhouse gas emissions (the broadest scope of calculation that includes all indirect greenhouse gas emissions not included in Scopes 1 and 2) is only provided by some companies: Repsol, OMV and Total (which only reports partially on this). It is not included in the BP, Shell and Eni reports.

↗ Materiality matrix

BP	Shell	OMV	Repsol	Eni	Total
The company does not publish a materiality matrix or methodology note on data collection.	The company does not use a materiality matrix to highlight the main issues facing the group and its stakeholders.	OMV publishes a materiality matrix that includes the main issues for stakeholders and the group itself.	Repsol presents its materiality matrix in the annex to its annual report. It highlights the key issues for stakeholders and the group.	ENI does not provide a materiality matrix in its annual report.	The company does not include a materiality matrix in its annual report.

Only two of the six European companies in the sample use a materiality matrix to highlight key issues for the group and its stakeholders. While the materiality matrix is not presented graphically for four companies, the associated information is often integrated directly into the section dealing with non-financial issues and more specifically into the wording on stakeholders' expectations.

↗ Stakeholder involvement

BP	Shell	OMV	Repsol	Eni	Total
The involvement of stakeholders in developing the section on non-financial information is not detailed.	The company explains how it interacts with its stakeholders in the section on governance.	The company explains the different forms of stakeholder involvement in the development of the group's non-financial strategy.	The company describes the involvement of stakeholders in identifying issues and their involvement in defining the group's strategy.	The company reports on the mechanisms for dialogue with stakeholders and their involvement in developing its non-financial strategy.	Total repeatedly mentions the involvement of stakeholders in developing and monitoring its non-financial policy. The forms of interaction and dialogue are explained as part of the various issues identified, such as human rights.

Observation #3: Stakeholder expectations are often identified and discussed by companies. However, information on the involvement of stakeholders in risk identification and the mechanisms for dialogue with them varies widely. In general, few details are provided.

- *Content of non-financial information*

↗ Frameworks used

BP	Shell	OMV	Repsol	Eni	Total
BP uses the recommendations and principles formulated by the TCFD as a basis.	Shell states that it uses the approach recommended by the TCFD.	OMV uses the TFCD, GRI and SDGs.	Repsol refers to reporting using the GRI. The section on sustainability also refers to the SDGs and TCFD.	ENI uses mainly the GRI, but also refers to the TCFD and SDGs.	Total mainly refers to the GRI reporting and the recommendations of the TCFD. Its report also includes the SDGs.

Observation #4: European players in the energy sector prefer the TCFD reporting framework. This is followed by the SDGs and the GRI.

In the energy sector, the framework from the Task Force on Climate-related Financial Disclosures (TCFD) is preferred by all companies. However, the type of information published under this reporting framework varies. For example, information on governance and climate risk management is generally provided, while the level of detail varies with regard to climate strategy and key performance indicators. The companies also rely on the United Nations Sustainable Development Goals (SDGs) (Eni, Repsol, OMV and Total) and the Global Reporting Initiative (GRI) (Repsol, Total, OMV and Eni).

↗ Presentation of business model

BP	Shell	OMV	Repsol	Eni	Total
BP illustrates its business model with several diagrams that explain the company's core business activities.	Shell's diagram presents the company's core business activities and highlights the different stages in its production chain.	OMV presents a diagram that explains its value chain.	Repsol's diagram shows the different areas in which the company operates.	Eni's operations are represented in a diagram, covering all stages from production to sale.	Total depicts its business model by illustrating the various stages of its production chain, from oil and gas exploitation to the distribution of its products and services.

Observation #5: Overall, all companies explain and illustrate their business model.

All six companies use a diagram to describe their business model, illustrating their various business lines. For the vast majority, the individual aspects (competitors/operating markets, products/services and customers) are mentioned. The information almost always appears in the first part, which presents the company's operations more broadly, and not in the section devoted to non-financial information.

↗ Main risks identified

Strategy

Main risks identified

Risks related to oil and gas price volatility

- **Impact of policy developments**
- **Natural disasters & weather conditions**
- Regulatory changes

Geopolitical risks

- **Political, economic and social instability**
- **Evolution of regulation or taxation**
- Arbitrary interventions by host countries (ex: expropriation)
- **International sanctions**
- **Violent conflicts** (social conflicts, civil wars, terrorism)
- Sovereign debt default

Risks related to climate change

- **Evolution of legislation, regulation, GHG obligations**
- **Evolution of public policies**
- Changing societal attitudes and customer preferences
- Inability to adapt the model to the ecological transition
- Divestments of oil projects
- Declining demand for hydrocarbons

Specific risks

Risks related to Brexit

Regulatory and litigation risks

Risks related to activities in countries under economic sanctions

Security and operations

Main risks identified

Risks related to safety and environment

- **Oil spills, chemical leaks**
- Malfunction of sites or equipment
- **Non-compliance with national/international standards**
- Emissions or releases to air, water or land
- Accidents, injuries and deaths
- **Regulations or sanctions, damage to reputation**

Risks related to security

- **Terrorism, piracy, sabotage, crime, malicious intent**
- **Social instability, civil war, violent conflicts**
- Pandemic diseases
- Disruptions of computer networks

Risks related to climate change

- **Physical risks** (increase in average temperature, depletion of natural resources such as water, sea level rise, and extreme weather conditions)

Specific risks

Risks related to health

Risks of regulatory changes

Compliance and ethics

Main risks identified

Risks related to breaches of the code of ethics

- **Violations of the group or employees' code of conducts** (corruption, fraud, etc.)
- Criminal sanctions
- Administrative, judicial or arbitration proceedings
- Criminal and civil actions

Risks related to corruption

- **Violation of anti-corruption laws**
- **Tax evasion**
- **Money laundering**

Specific risks

Risks related reporting

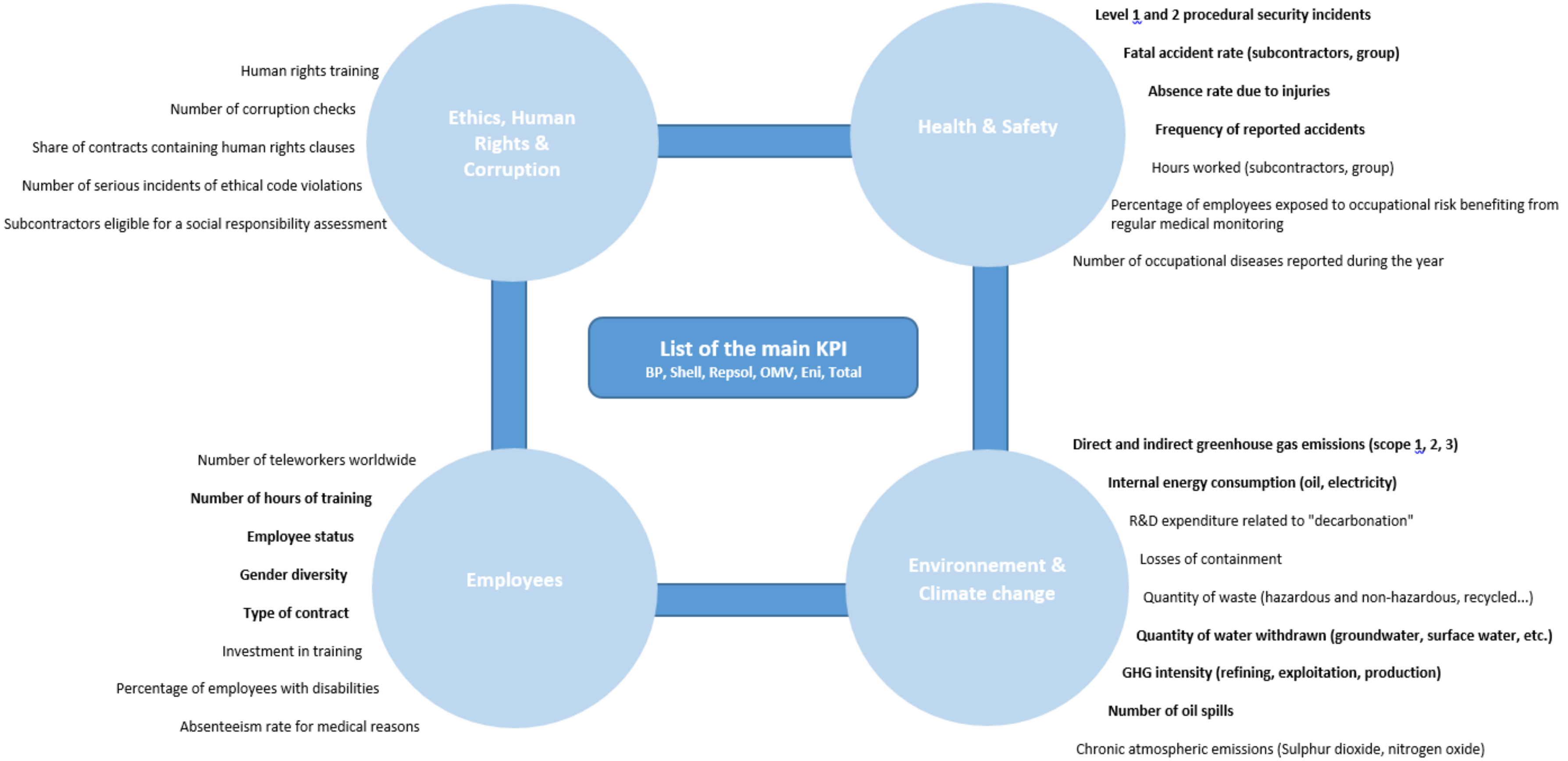
Risks related to legal proceedings

Compliance across the entire supply

Observation #6: The companies' shared industry contributes to a convergence on the challenges identified.

There is significant convergence on the CSR-related challenges identified that can be explained by the fact that the six companies operate in the same sector. All companies consider that oil and gas price volatility, geopolitics, climate change and safety and security are major sources of risk that can impact the company's business. The differences can be observed in the justification of these risks, with certain variables such as regulatory changes cited repeatedly.

- Main key performance indicators identified



Observation #7: Convergence on a limited number of key performance indicators related to the oil sector.

Almost all companies in the sample share a number of key performance indicators related to the oil sector. These indicators cover issues relating to specific topics such as health and safety (e.g. accidents reported for all companies), the environment (e.g. accidental oil spills for all six), climate change (i.e. Scope 1 and 2 greenhouse gas emissions for all companies, Scope 3 for some of them).

Observation #8: The comparison of the key performance indicator on direct and indirect greenhouse gas emissions is complicated by the use of different methodologies.

The methodologies used to calculate greenhouse gas emissions (Scopes 1, 2 and 3) are not identical in any of the reports. Some companies refer to the IPIECA guidelines (BP and Total) while others use the IPCC methodologies (OMV and Shell), the GHG Protocol (Shell) and the CDP (Repsol). One company (Eni) specifies that it refers to international methodologies without giving any further explanation.

↗ Climate objectives

BP	Shell	OMV	Repsol	Eni	Total
Period covered by the KPIs					
The key performance indicators reflect trends since 2014.	The majority of key performance indicators use 2017 as their initial year.	OMV's key performance indicators have been aligned with the Group's policies since 2015.	The company has key performance indicators that are largely based on 2017.	Eni indexes its key performance indicators over the period 2016 to 2018.	The key performance indicators cover the period from 2016 to 2018.
Company objectives					
BP maps the risks identified in risk management policies to a brief overview of the actions implemented in 2018. The objectives of its policies are rarely dated.	The company's strategy includes objectives that are set and often dated for the short, medium and long term, particularly in terms of climate change strategy.	The company develops its risk management policies in a comprehensive manner by referring to dated and quantified objectives with targets often set for 2025.	Repsol maps the identified risks to objectives with variable time frames, from short-to-medium term (2020-2030) to medium-to-long term (2030-2050). The company states that it has developed a strategy over the period 2018 to 2025.	Eni sets the objectives of its non-financial policies for 2025. Its objectives are based on its 2014 baseline year.	The objectives of non-financial policies focus primarily on the short term, i.e. 2020. Total also has some medium- to long-term objectives, with targets for 2025 and 2030.

The periods covered by the key performance indicators vary significantly among the companies in the sample, with performance history dating back to 2014 for BP, for example, or to 2017 for Repsol. Most companies set objectives for 2025. However, the baseline year on which the objective is based is not always stated.

↗ Financial impact of climate risk

BP	Shell	OMV	Repsol	Eni	Total
Provisions relating to non-financial risks					
BP provides figures on its environment-related provisions.	Shell quantifies its provisions allocated to environmental protection (€287 million).	OMV provides data on its environmental protection expenditure.	Repsol refers to the existence of environment-related provisions and guarantees (€53 million). The company includes a cross-reference to the document in its consolidated financial statements.	Eni quantifies its environment-related provisions (€325 million) and explains the use of these provisions in a paragraph.	Total quantifies its provisions allocated to environmental protection (€862 million).
TCFD-related content					
BP includes in its registration document the information related to the TCFD's three recommendations. The resilience of its strategy to scenario 2 is based on a projection to 2040. BP does not provide any figures on the impact of climate change on its business. BP also refers to its website dedicated to the TCFD. The website indicates that the information is mainly included in the report on its sustainable strategy.	Shell mentions its commitment to the TCFD's three recommendations. Shell's long-term vision time frame is 2030. The company does not provide any figures on the impact of climate change. The company also refers to its Shell Transition Report, which complies with the TCFD's requirements.	The company presents information on the resilience of its strategy under different scenarios. Its time frame is 2025. OMV does not provide any figures on the impact of climate change on its business.	Repsol presents its climate change strategy in a comprehensive manner by developing scenarios with different time frames (short-to-medium and medium-to-long). The quantified impact of climate change on the business is not specified.	Eni provides information on its strategy in line with the TCFD's recommendations. The chosen time frames are the short, medium and long term. The company does not provide any figures on the impact of climate change on its business.	Total describes the resilience of its strategy using several climate scenarios. The different time frames defined by Total are short term (2020), medium term (2030) and long term (beyond 2030). Total describes the negative impact associated with climate change on the present value of all its assets. Total also cross-references its report on its long-term projections (Total Energy Outlook).

The Task Force on Climate-related Financial Disclosures (TCFD) framework is used consistently by all six companies in the sample as they are in the oil industry. All the companies studied comply with the TCFD by providing information in line with the key recommendations relating to governance, strategy, risk management and metrics. With regard to the materiality of the impact of climate change on business operations, reflecting the resilience of the company's long-term strategy, only one company, Total, quantifies the impact on all of its assets in its registration document.

4.3. CONCLUSION: PRACTICES THAT DIFFER CONSIDERABLY FROM ONE TRANSPOSITION TO ANOTHER

The international comparison of six European companies in the oil sector highlights considerable differences related to the transposition of Directive 2014/05/EU on the disclosure of non-financial information.

There is significant convergence between the reporting published by these companies, mainly on substantive sector-specific characteristics. Common trends emerge in the choice of key performance indicators and the identification of the main risks faced by oil companies.

However, depending on the Member State, the transposition of the Directive leads to more or less stringent requirements for domestic companies, which makes it more difficult for stakeholders to compare non-financial information at a European level.

Accordingly, the location of the information, which is not always within the management report but may be part of an integrated report or a separate report depending on the Member State, does not always provide the reader with a complete overview of the company's CSR policy. The fact that the number of pages devoted to the main section varies considerably reflects this difficulty.

Similarly, the inconsistent development of some aspects of CSR policies in the reports, such as the involvement of stakeholders in identifying risks and their impact, often results in a heterogeneous comparison that is not sufficiently transparent. The absence in some cases of any information on aspects such as Scope 3 greenhouse gas emissions reinforces this observation.

Finally, while a good level of comparability between companies in the same sector is to be expected, key performance indicators, particularly those relating to greenhouse gas emissions, are generally difficult to compare from one company to another. This is due to the fact that the methodologies used and the choices made in the use of these methodologies (emission factor, calculation method, etc.) differ. Similarly, indicators are not always accompanied by sufficient explanations to allow the quality and scope of the information to be assessed. In this respect, the recent publication by the European Commission of a supplement to its guidelines that addresses climate reporting should improve the convergence of practices insofar as it recommends certain frameworks for calculating the carbon footprint.

Nevertheless, it could be useful in the long term to develop a common technical language (in the form of a detailed glossary, for example) and methodological guidelines for developing indicators. One of the difficulties observed at present in the area of non-financial information is that the methodology for developing indicators is difficult to compare from one company to another, due to the lack of an underlying common language. The large number of reporting frameworks currently available does not facilitate the convergence of practices. The European Commission, as a public authority and with the appropriate expertise, seems well positioned to play a key role in achieving this objective in the future. This would also be consistent with the objective of the taxonomy of green activities that it is developing in parallel. These tools would not be intended to be prescriptive but would instead guide companies on technical issues that are currently problematic and subject to various approaches, while at the same time encouraging the convergence of practices.

With a view to improving the comparability of non-financial information, the study of European companies required to provide a non-financial statement under Directive 2014/95/EU highlights various aspects of this Directive that should be reviewed in the future, such as the location of the information and its review by an independent third-party body.

ANNEX 1: COMPANIES IN THE FRENCH SAMPLE

Company	Index	ICB Sector	ICB Subsector	Market Capitalisation*
ATOS	CAC40	Technology	Technology	€7.74 B
AXA	CAC40	Financials	Insurance	€49.67 B
BOUYGUES	CAC40	Industrials	Construction & Materials	€11.06 B
CAPGEMINI	CAC40	Technology	Technology	€16.00 B
CREDIT AGRICOLE	CAC40	Financials	Banks	€29.32 B
DANONE	CAC40	Consumer Goods	Food & Beverage	€43.12 B
ENGIE	CAC40	Utilities	Utilities	€33.44 B
KERING	CAC40	Consumer Services	Retail	€52.14 B
LEGRAND	CAC40	Industrials	Industrial Goods & Services	€13.64 B
L'OREAL	CAC40	Consumer Goods	Personal & Household Goods	€111.42 B
ORANGE	CAC40	Telecommunications	Telecommunications	€35.78 B
PSA GROUPE	CAC40	Consumer Goods	Automobiles & Parts	€19.23 B
SANOFI	CAC40	Health Care	Health Care	€91.17 B
SCHNEIDER ELECTRIC	CAC40	Basic Materials	Industrial Goods & Services	€34.96 B
SOCIETE GENERALE	CAC40	Financials	Banks	€22.84 B
SODEXO	CAC40	Consumer Services	Travel & Leisure	€13.86 B
TOTAL	CAC40	Oil & Gas	Oil & Gas	€125.18 B
VALEO	CAC40	Consumer Goods	Automobiles & Parts	€6.41 B
VEOLIA ENVIRONNEMENT	CAC40	Utilities	Utilities	€10.28 B
BIC	SBF 120	Consumer Goods	Personal & Household Goods	€3.58 B
MERCIALYS	SBF 120	Real Estate	Real Estate	€1.19 B
NEXANS	SBF 120	Industrials	Industrial Goods & Services	€1.25 B
NEXITY	SBF 120	Real Estate	Real Estate	€2.45 B
TF1	SBF 120	Consumer Services	Travel & Leisure	€1.80 B

*Market capitalisation as at 31/12/2018

ANNEXE 1 : ESMA'S ECEP 2019 ON NON-FINANCIAL REPORTING (SECTION 2)

General aspects

On the basis of the evidence from the review of the non-financial statements of European issuers (both presented in their management reports or separately),ESMA wishes to reiterate some general principles with the aim of promoting improvements in the quality of public reporting of non-financial information.

↗ Material information

In accordance with Articles 19a and 29a of the Accounting Directive, the objective of the disclosures included in the non-financial statement is to provide the information necessary for an understanding of the development, performance, position and impact of the issuer's activity in relation to non-financial matters.

This disclosure objective, as further explained in paragraph 3.1 of the European Commission's nonbinding Guidelines on non-financial reporting (hereinafter the 'Guidelines'),complements the concept of materiality in the Accounting Directive to reflect a 'double materiality perspective', with consideration of both the impact of the non-financial matters on the issuer, including any dependencies, and the impact of the issuer on non-financial matters. ESMA recommends that issuers pay particular attention to this double materiality perspective when preparing the non-financial disclosures in order to ensure that all material information with respect to the above-mentioned disclosure objective is provided.

In addition, ESMA encourages issuers to explain how they have determined what is material when preparing the non-financial statement as this may improve the communication between issuers and users of non-financial statements. Particularly, ESMA believes that to enable users to understand the materiality assessment performed, issuers should consider disclosing how the following aspects were taken into account: (i) the information needs of different stakeholders and their relative importance; (ii) the selection of relevant time horizons; and (iii) the probabilities associated with financial and non-financial impacts.

↗ Completeness of disclosures

Paragraph 3.3 of the Guidelines clarifies that by selecting material disclo*sures, an issuer is expected to* provide a comprehensive picture of its activities, performance and impact in the reporting *year. In this* respect, ESMA reminds issuers that they should ensure that the material d*isclosures address as a minimum* each non-financial matter referred to in the Accounting Directive. *For each of those matters, the* required disclosures include the description of the business model and of the *non-financial policies pursued,* the related due diligence processes, outcomes of those policies and the principal risks identified.

ESMA also emphasises that the Guidelines recommend that issuers provide these disclos*ures as a* concise set of information and avoid non-material disclosures.

Furthermore, ESMA reminds issuers that they shall consider the mater*ial information relating to the* activities of the group, including all the subsidiary undertakings, when preparing *the consolidated nonfinancial* statement.

↗ *Balance and accessibility*

The non-financial statement may result in misleading information if it focuses on matters for which 'good news' can be conveyed and disregards or gives less prominence to other matters for which information is less positive. Therefore, ESMA recommends that for all non-financial matters addressed, issuers should provide a balanced depiction of the performance, position and impact of their activity, including of how those matters affect the concerned issuers.

ESMA highlights that when, in exceptional circumstances, the disclosure of certain information is deemed to be seriously prejudicial to an issuer's commercial position, this fact should not prevent an issuer from providing a fair and balanced understanding of the issuer's development, performance, position and impact of its activity. In this respect, paragraph 3.4 of the Guidelines recommends that relevant information may be provided in broader terms that still convey useful information to investors and other stakeholders.

Moreover, in order to enable a user's understanding of the issuer's performance, position and impact of its activity in relation to the non-financial matters, ESMA believes that the accessibility of non-financial statements should be improved by allowing users to better understand where within the management report (or, where applicable, within the separate non-financial statement), the relevant non-financial disclosures have been included. In this respect, ESMA notes the good practice of some issuers of providing a high-level mapping of where the relevant non-financial information can be found.

Specific topics

Together with the above-mentioned principles, ESMA also recommends that issuers consider the following specific areas when preparing their non-financial statements.

- Environmental matters and climate change

ESMA reminds issuers of the continued relevance of matters relating to the environment and, particularly, of the challenges posed by climate change. In this respect, ESMA urges issuers to provide information in line with the objective set out in the Accounting Directive on: (i) the consequences of their activities and of the use of their products and services by customers for climate change and the envi ronment; and (ii) how they are impacted by the consequences of climate change and other environmental matters. As referred to above, this reflects the double materiality perspective that was introduced by the Non-Financial Reporting Directive.

ESMA draws the attention of issuers to the recommendations on the contents and key performance indicators on climate-related disclosures included in the European Commission's non-binding Guidelines on non-financial reporting relating to climate-related information (hereinafter the 'Supplement to the Guidelines'). ESMA notes that these recommendations are aligned with those of the Task-Force for Climate Related Financial Disclosures (TCFD) and, therefore, they may also help issuers in providing a relevant depiction of the financial consequences of climate change, thereby also improving the integration between financial and non-financial disclosures.

- Disclosure of relevant Key Performance Indicators (KPIs)

ESMA reminds issuers that the Accounting Directive requires the inclusion of 'relevant KPIs' in the nonfinancial statement. In this respect, ESMA recommends that issuers select KPIs that are: (i) entity-specific; and (ii) consistent with those used internally for steering the business and for determining executive remuneration.

ESMA also considers that, in order to provide relevant information, disclosures of KPIs should be complemented by information on any progress made with reference to previous reporting periods and any relevant pre determined internal or external targets which may enable users effectively to assess the issuer's performance. Moreover, ESMA recommends that issuers disclose the definition and methodology used to determine the KPIs, as well as an explanation as to why the disclosed KPIs were deemed to be relevant.

- Use of disclosure frameworks

ESMA reminds issuers that, according to the Accounting Directive, issuers relying on national, Unionbased or international frameworks shall specify which frameworks they have relied upon. Particularly, ESMA believes that clarity on the extent of use of any disclosure frameworks used may provide useful information, for example, by disclosing whether they have been complied with in full or in part and by explaining which disclosures were prepared by using the adopted frameworks and why.

Furthermore, ESMA also recommends that, when an issuer makes reference to the adoption of certain frameworks that set out specific sustainability targets, the disclosures are most useful if they explain how the issuer's activities contribute to those goals and the progress made towards their achievement.

- Supply chains

ESMA reminds issuers that, when assessing the non-financial information to be provided, the Accounting Directive requires the consideration of business relationships as part of the disclosure of principal risks relating to the non-financial matters. In this respect, ESMA recommends that issuers carefully assess whether their involvement in supply chains may give rise to material information to be disclosed.

According to the Guidelines this would include information needed for a general understanding of an issuer's supply chain and of how relevant non-financial matters are considered in managing the supply chain.

ANNEX 3: SUPPLEMENT TO THE GUIDELINES FOR CLIMATE REPORTING

The European Commission, adopting some of the TCFD's recommendations (indicated by an asterisk), encourages issuers to publish the following 13 disclosures:

- *Business model:*
  - ↗ * Describe the impact of climate-related risks and opportunities on the company's business model, strategy and financial planning.;
  - ↗ Describe the ways in which the company's business model can impact the climate, both positively and negatively;
  - ↗ * Describe the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios over different time horizons, including at least a 2 °C or lower scenario and a greater than 2 °C scenario.

- *Policies and due diligence implemented:*
  - ↗ Describe any company policies related to climate, including any climate change mitigation or adaptation policy;
  - ↗ Describe any climate-related targets the company has set as part of its policies, especially any GHG emissions targets, and how company targets relate to national and international targets and to the Paris Agreement in particular;
  - ↗ * Describe the board's oversight of climate-related risks and opportunities;
  - ↗ * Describe management's role in assessing and managing climate-related risks and opportunities and explain the rationale for the approach.

- *Results:*
  - ↗ * Describe the outcomes of the company's policy on climate change, including the performance of the company against the indicators used and targets set to manage climate-related risks and opportunities;
  - ↗ * Describe the development of GHG emissions against the targets set and the related risks over time.

- *Risk management:*
  - ↗ * Describe the company's processes for identifying and assessing climate-related risks over the short, medium, and long term and disclose how the company defines short, medium, and long term;
  - ↗ *Describe the principal climate-related risks the company has identified over the short, medium, and long term throughout the value chain, and any assumptions that have been made when identifying these risks. This description should include the principal risks resulting from any dependencies on natural capitals threatened by climate change, such as water, land, ecosystems or biodiversity;
  - ↗ * Describe processes for managing climate-related risks (if applicable how they make decisions to mitigate, transfer, accept, or control those risks), and how the company is managing the particular climate-related risks that it has identified;
  - ↗ * Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management. An important aspect of this description is how the company determines the relative significance of climate-related risks in relation to other risks.

The Commission also proposed 17 additional guidelines in its supplement (see the following link).

ANNEX 4: MOST COMMONLY USED FRAMEWORKS

A diversity of reporting frameworks and standards currently exist at the international level.

In relation to the climate:

- ADEME – French Environment & Energy Management Agency
- IEA – International Energy Agency
- C4 – Carbone 4
- CBI – Climate Bonds Initiative
- CDP - Carbon Disclosure Project
- CDSB - Climate Disclosure Standards Board
- UNFCCC - United Nations Framework Convention on Climate Change
- IPCC - Intergovernmental Panel on Climate Change
- I4CE - Institute for Climate Economics
- IPCC - Intergovernmental Panel on Climate Change
- TCFD - Task Force on Climate-related financial disclosures
- ISO Norms (14001 on Environmental Management et 26000 on CSR)
- SBTi - Science Based Target Initiative

In relation to non-financial reporting in general:

- IIRC - International Integrated Reporting Council
- GRI - Global Reporting Initiative (GRI)
- PRI – Principles for responsible investment
- SASB - Sustainability Accounting Standards Board
- SDGs – Sustainable Development Goals
- IUCN - International Union for Conservation of Nature
- WBCSD - World business council for sustainable development

ANNEX 5: RELATION BETWEEN THE EUROPEAN PROSPECTUS REGULATION AND ARTICLE L. 225-102-1 OF THE COMMERCIAL CODE

This table highlights the link between two different regulatory requirements: first, the European Prospectus Regulation to be complied with when producing a URD and, second, Article L. 225-102-1 of the Commercial Code to be complied with when producing the management report. Issuers wishing to publish a URD that also meets all the requirements of the management report must therefore comply with both these regulatory requirements.

	European Prospectus Regulation 3	NFS	AMF Analysis
Specificity	Only risks that are specific to the issuer and/or the securities should be disclosed.[96]	The main non-financial risks related to the company's activities must be disclosed.[97]	In both cases, companies must define risks specific to their business.
Risk Materiality	Only risks that are important (material) to an informed investment decision should be disclosed.[98]	Companies must disclose the non-financial risks deemed material in relation to their business model.[99]	Non-financial risks may meet the materiality requirement of the European Prospectus Regulation and must therefore be included within certain categories or subcategories of the risk factors section of the prospectus. In the event that the NFS is included in the prospectus, the company can use the description provided in the NFS to limit duplication within the document by ensuring that the two points below are addressed.
Gross/Net Risk	In accordance with the ESMA guidelines on risk factors, the risks to be included must be "net" risks that remain material after taking into account any mitigation measures.	The Commercial Code requires that a "gross" risk be presented and that "mitigation policies" be presented subsequently. A low residual risk can therefore still be included in the NFS.	In cases where a non-financial risk is likely to influence investment decision-making, after taking into account the policies put in place to mitigate this risk, it should be included in the risk factors section. Where appropriate, the wording should be adapted to highlight the residual risk in a more concise way than in the NFS.
Ranking	The most important risk factors are mentioned first within each section based	The NFS does not require a ranking of non-financial risks and does	Where a non-financial risk has been deemed material for investment decision-making, it should be included in a category or subcategory of the

[96] Article 16 of Regulation (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.
[97] European Commission's guidelines on non-financial reporting, June 2017.
[98] Article 16 of Regulation (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.
[99] §3.1 of the European Commission's guidelines on non-financial reporting, June 2017.

	on the issuer's assessment of the likelihood of them occurring and the estimated extent of their negative impact.[100]	not necessarily include an approach that clearly presents the impact risk and the likelihood of occurrence.	risk factors section of the prospectus, incorporating the ranking principle laid down in the European Regulation.
Measuring the Impact	An assessment of the impact of the risk, at least in qualitative terms, including using a scale.[101]	The guidelines do not particularly encourage reporting on quantitative or qualitative aspects of the impact of risks.	In view of this difference, when a non-financial risk factor is to be included in the risk factors section of the prospectus, care should be taken to specify the impact of the risk in quantitative or qualitative terms. With regard to non-financial risks, quantifying them is not always easy. It is recommended that the risk horizon, trend and any other objective information be presented to assess its impact.

[100] Article 16 of Regulation (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market.
[101] *Idem*