REPORT

GOVERNANCE OF THE CLIMATE TRANSITION IN COMPANIES:

10 RECOMMENDATIONS OF THE PARIS FINANCIAL CENTRE

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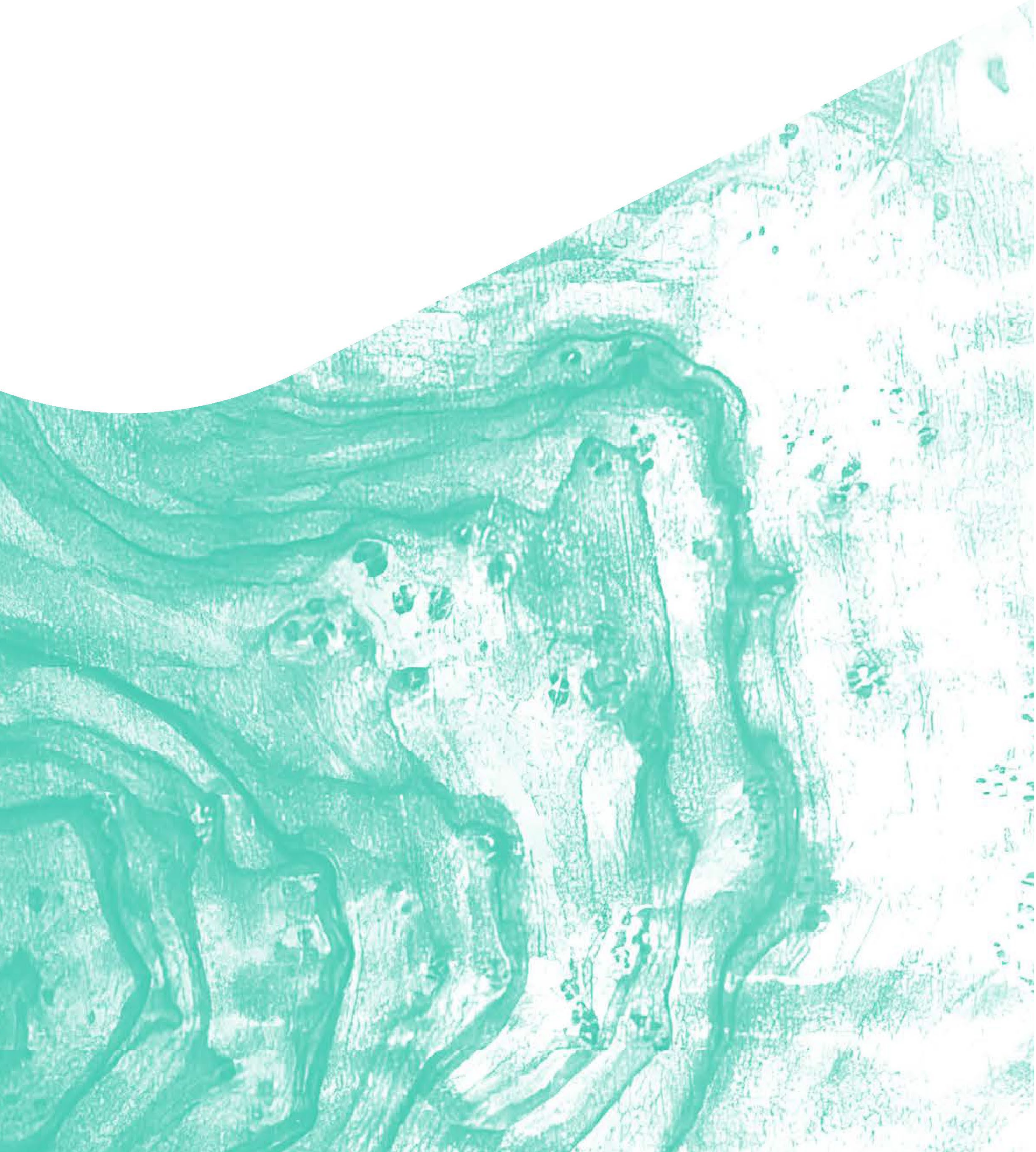
SUMMARY



The report 'Governance of the climate transition in companies: 10 recommendations of the Paris financial centre' meets one of the commitments made by the Perrier Report, published in March 2022. This concerned carrying out an analysis on the governance of and methods for managing carbon externality of companies and financial institutions in the Paris financial centre, as well as promoting new practices so that Boards of Directors can give more effective consideration to climate issues.

In March 2022, Yves Perrier, President of the Institute for Sustainable Finance (IFD), said that "*The governance of companies' decarbonisation strategies is a key condition for their effective implementation. Therefore, Boards of Directors and Executive Committees must be involved in the approval of carbon strategies, the resulting trade-offs and the monitoring of their implementation.*"

More specifically, **achieving the energy and ecological transition requires a change in all practices of players and, above all, companies, which must incorporate the constraint of reducing carbon dioxide emissions in the same way as financial constraints.** Business models must therefore evolve in order to substantially reduce greenhouse gas emissions.

To achieve this, the aim is to create a climate discipline, similar to the financial discipline implemented in the 1980s. This involves strengthening disclosure and dialogue mechanisms for companies' transition plans and climate strategy, aligning reporting and analysis methodologies and taking carbon externality into account in the company's strategy and at all levels of its governance.

This climate discipline will allow investors to assess the past, current and future performance of companies in terms of reducing their carbon emissions, and, at the same time, companies, to establish their decarbonisation strategy and communicate their results.

This report provides an overview of governance practices on climate issues, broken down into four main themes: (i) the organisation of Boards of Directors and the management of climate risks; (ii) the skills and training of directors; (iii) transparency and dialogue with shareholders; and (iv) the issue of compensation. **The IFD makes proposals for each of these four themes to encourage best governance practices.**

The report was produced by a multi-stakeholder working group chaired by Angeles Garcia-Poveda, Chairwoman of Legrand. Around thirty interviews were conducted with an even distribution between companies, investors, rating agencies, proxies and market authorities. Interviews were also conducted with European and international players to complete the analysis.

THE RECOMMENDATIONS ARE AS FOLLOWS:

ON THE ORGANISATION OF BOARDS OF DIRECTORS AND THE MANAGEMENT OF CLIMATE RISKS

Practice shows that, to better integrate corporate social responsibility (CSR) issues within the Board of Directors, many companies have set up dedicated committees (climate or CSR) or 'combined' committees, i.e. traditional committees (audit committees, compensation committees, strategic committees or appointments committees) that also deal with CSR issues. **Whatever the formula chosen, in 2022 94% of companies in the CAC 40 index and 86% of the SBF 120 index had a dedicated or combined CSR committee.** France is particularly advanced in this area. In addition, for the 10% of companies in the CAC 40 and the 20% in the SBF 120 that do not have a dedicated or combined CSR committee, they may comply with the recommendation of the AFEP-MEDEF code. According to this, CSR matters must be the subject of preparatory work by a specialised committee of the Board of Directors, by organising themselves in such a way that CSR matters are properly prepared by a specialist committee. The nature of this may differ depending on the skills required for the CSR topics to be analysed.

Abroad, only 49% of FTSE 100 companies in the UK and 15% of HDAX companies in Germany have a CSR committee. Internationally, the two main entities within a Board of Directors responsible for climate change are: the audit committee, whose expertise in financial reporting places it in a unique position to support the Board of Directors in this area, and the dedicated ESG/sustainability committee in charge of sustainability objectives and strategy.

In Europe, the European Corporate Sustainability Reporting Directive (CSRD) was published in the Official Journal of the European Union (OJEU) on 16 December 2022. It reinforces the role of the audit committee, which *"should be assigned with certain tasks with regard to the assurance of sustainability reporting"*. At the same time, it opens up the possibility for another board committee or members of administrative and supervisory bodies to assume responsibility for ensuring that documents published by the company comply with sustainability reporting standards. This text was transposed in France by order. Coming into force on 1 January 2024, the first reports are expected in 2025.

Similarly, regarding the management of climate risks, progress has been made on company mapping, which is now more comprehensive and transparent. Risk mapping is updated almost systematically for 95% of CAC 40 companies and 90% of SBF 120 companies, while 80% of CAC 40 groups base the risk ranking on net risks, i.e. after taking into account systems that are already in place and effective, thus using a more coherent and consistent methodology. Despite these advances, consideration of environmental risks and their presentation could be improved. Disclosure of continuity plans and crisis management plans is still limited, and the levels of precision vary. It should also be noted that transition plans are becoming mandatory for entities with more than 500 employees, and this will enable companies to define the means implemented in order to align with the European Union's climate objectives (ref. Corporate Sustainability Due Diligence Directive - CSDDD currently being finalised) expected to be published (ref. CSRD Directive).

PROPOSAL 1

The first priority is to ensure sufficient and coordinated preparatory work on climate risk and transition plans by the committee(s) concerned to ensure that the entire Board takes this subject properly into account. To do this, we recommend that **Boards of Directors define and explain the respective roles of the various committees (CSR committee, audit committee, risk committee, etc.) in supervising the handling of climate risks.** Coordination should then be ensured between the various committees (e.g. through the establishment of common members on different committees and/or the organisation of regular meetings), while highlighting the particular role of the audit committees (or risk committees) in the general management of risks. This proposal should be linked to the CSRD Directive.

PROPOSAL 2

Include the climate issue when assessing the operation of Boards of Directors. This assessment should consider the various topics: time dedicated to climate risk analysis, quality of information, quality of training, etc.

PROPOSAL 3

Each year, provide Boards with information on climate risks for the company, applying the principle of dual materiality (impact of the business model on the climate and risks/opportunities for the company linked to climate change) required by the ESRS standards from their date of application.

ON THE SKILLS AND TRAINING OF DIRECTORS

It has been established that directors are better informed on issues related to corporate social responsibility (CSR). However, progress can still be made on training all Board members on climate issues, due to some heterogeneity in terms of the maturity of the processes and companies' disclosure of the level of their directors' skills regarding these issues, as well as the lack of existing training offers. The French Financial Markets Authority (AMF) notes that, on average, 54% of Boards include directors with CSR expertise. However, an analysis of existing practices shows that there is often a director (in the case of a climate officer), or a set of directors (in a committee) appointed to monitor climate issues. Yet, it is not so much a question of appointing a climate officer within a Board **but ensuring that all Board Members are informed and trained as far as possible, with an organised training process to ensure that all Board members' skills are developed and maintained.** Internationally, the World Economic Forum has also observed that too few directors have the interdisciplinary skills needed to enable a radical change in culture and behaviour.

Furthermore, companies do not provide sufficient detail on the content of the training and processes put in place to increase a Board's skills. The majority of CAC 40 Boards do not mention any specific CSR training carried out during the year.

Training for all directors on climate issues should therefore be strengthened rather than relying on 'climate lead directors'.

PROPOSAL 4

Organise **a general upskilling of all directors** and ensure that there are modules offered to directors at least **once every three years. Climate skills could be formally included in the assessment** of Board Members.

PROPOSAL 5

Ensure the quality and availability of the training offered which must address the various facets of climate issues (scientific, economic, regulatory, financial and accounting) and promote access to external expertise for Boards and Committees.

PROPOSAL 6

Develop global, more uniform and standardised climate training, accessible to as many companies as possible, as well as accreditation of these training courses, based on specifications drawn up by a consortium of players ensuring the neutrality of the training and its scientific rigour (Chapter Zero, IFD, ILB, IFA, CGI, WBCSB, etc.).

The IFD could initiate this work to develop the content of these training courses and their standardisation by bringing together a consortium of identified players.

ON TRANSPARENCY AND DIALOGUE WITH SHAREHOLDERS

The players interviewed, and in particular the investors, stressed the importance of greater transparency concerning the objectives and actions implemented by companies to reduce their carbon emissions. They also supported the idea of strengthening a Board's dialogue with shareholders on climate issues.

Professional bodies and codes have given their opinion on this subject. The Afep-Medef Code, the Middlenext Code and the AFG (French Asset Management Association) stress the importance of companies reporting more effectively on the emphasis they place on CSR in their strategies. Companies are encouraged to move from one-off measures towards developing real climate plans, evolving according to the circumstances. Boards of Directors must determine the multi-year strategic guidelines in terms of social and environmental responsibility. General Management must then present to its Board the procedures for implementing this strategy, with specific objectives, an action plan and the timeframes within which these actions will be carried out. **The AFEP-MEDEF Code recommends that this climate strategy, as well as the main actions undertaken, be presented at the shareholders' ordinary general meetings at least every three years or in the event of a change in the strategy. For its part, the French Institute of Directors [*Institut Français des Administrateurs* - IFA] suggests putting climate issues on a Board's agenda at least every year in terms of strategy and risk management.**

The final version of the European Sustainability Reporting Standards - ESRS adopted by the European Commission on 31 July 2023[1] **empowers companies and reinforces the transparency requirement** with which they must comply. Designed to be applied by all companies subject to the Corporate Sustainability Reporting Directive (CSRD), these standards cover all environmental, social and governance issues, including climate change and biodiversity. In Anglo-Saxon countries, while IFRS will also require companies to be more transparent, shareholder expectations for disclosure are still largely focused on financial performance.

Regarding shareholder dialogue, the report deals with the two types of resolutions submitted to general meetings: firstly, **resolutions tabled by Boards of Directors** on their climate strategy, and secondly, **resolutions tabled by shareholders** (external resolutions).

1 Adoption will be final after approval by Parliament and the Council by December 2023

It should be noted that during the 2023 general meetings, only two external resolutions were voted (and rejected) in France (TotalEnergie and Engie). This practice is therefore poorly developed in France and often leads to rejection at the time of the vote. Internationally, the submission of these resolutions and the approval rate are higher. The vast majority of resolutions on these ESG issues were tabled in the US, followed by Japan.

Similarly, in France, Say on Climate resolutions are rarely tabled by Boards of Directors. While in 2022, 12 companies consulted their shareholders on their strategy, only 9 did so in 2023 (Covivio, Icade, Schneider Electric, Klépierre, TotalEnergies, Altarea, EDF, Vallourec and Amundi). Internationally, this practice remains sporadic and is developing unevenly across sectors and regions.

There is a lot of debate on the question of the relevance of the vote and its scope. In particular, on the side of investors and proxy advisors, some would like to generalise it with an annual vote, while others would like to reserve it for companies with high carbon emissions. For others, a shareholder vote amounts to disempowering Boards, and they would prefer to restrict voting to climate strategy when directors are reappointed. Finally, several point to the binary nature of the vote, which limits discussions.

At the end of July 23, the debate surrounding Say on Climate was reopened at the National Assembly with the tabling and adoption at first reading of an amendment. It aimed to introduced an *ex ante* advisory vote every 3 years at annual general meetings on the climate and sustainability strategy and an annual *ex post* vote on the report on the implementation of this strategy. Although this amendment was finally withdrawn during the review by the joint committee on 9 October, the conditions of shareholder dialogue are a subject that will continue to be discussed.

As far as it is concerned, in a statement released on 8 March 2023, the AMF considers *"that it will be appropriate, when the time comes, i.e. particularly in the context of changes in European texts, and under conditions to be defined by law, for this information (relating to the climate) to be submitted to shareholders for approval, as is the case for the annual financial statements."*

We follow this logic and support the idea of strengthening reporting mechanisms and intensifying shareholder dialogue on companies' transition plans and carbon strategy as follows:

PROPOSAL 7

Make it systematic for companies to present the climate strategy and/or the implementation of this strategy at Shareholders' General Meetings.

More specifically, companies should disclose their trajectory, including long-term and medium-term targets, the timetable and transition plans, specifying the baseline assumptions and the means used to achieve them. This disclosure should cover all emission scopes. Company emission plans should be consistent with the data and timeframes of financial trajectories. Indeed, in order to be effective, companies' climate strategies must be fully integrated into their business models and overall strategy. Companies' presentations of their performance (see proposal 8) should highlight any deviations from the proposed climate trajectory.

PROPOSAL 8

Continue to converge the processing of financial information and climate information.

Companies should report in detail on their performance in the past financial year in order to reduce their carbon emissions and present their performance in relation to the commitments set out as well as in relation to its competitors. These elements should be incorporated into the sustainability reporting and the management report.

Under the CSRD Directive, transposed by Order No. 2023-1142 of 6 December 2023 on the disclosure and certification of sustainability information and the environmental, social and corporate governance obligations of commercial companies, the elements in a report for a past year regarding climate issues should give rise to reasonable assurance by the auditors as from the European Commission's adoption of these standards at the earliest in 2028. **It is on the basis of these audited elements that the assessment of climate action taken by companies could ultimately be voted on.**

For issues of operational efficiency and fair treatment of French and European players, consistency with the European agenda is essential. It would also protect the attractiveness of the financial centre.

Feedback from players who voluntarily engage in a voting procedure on the climate performance report presented by Boards of Directors will effectively inform good practice in this regard.

The IFD will supplement its recommendations on the basis of the procedures specified at European level and on the basis of feedback from voluntary companies gathered by that point in time.

However, with regard to the issue of the climate trajectory, just as a company's financial trajectory or strategic plan are not voted on by shareholders, the mandatory nature of such a vote on the forward-looking part of the climate strategy seems inappropriate.

The aim is to organise the most important work on the climate issue and to improve dialogue with shareholders, including on forward-looking aspects. Yet it is the Board of Directors that is responsible for a company's strategy, of which climate issues are a component, and there can be no question of removing it from this role.

Moreover, while the aim is to improve communications with shareholders, we consider that a vote with a binary outcome is not the right lever for action to accelerate a company's decarbonisation.

ON REMUNERATION

The interviews conducted by the working group showed that companies are gradually incorporating criteria related to climate issues into executive pay. The High Committee for Corporate Governance [*Haut Comité du Gouvernement d'Entreprise* - HCGE] noted a marked improvement in the incorporation of environmental criteria into the variable component of corporate officers' pay. In 2022, 99% of SBF 120 companies and 100% of CAC 40 companies incorporated one or more CSR criteria. 87% of SBF 120 and 98% of CAC 40 companies incorporated one or more climate criteria into short-term or long-term variable remuneration (compared with 81% of SBF 120 and 91% of CAC 40 companies in 2021). France seems to be well advanced. Internationally, there was less progress. In S&P 500 companies, on average, 19% of these incorporate climate and broader environmental measures into their remuneration plans (compared to, on average, 14% in the United States and 28% in Europe).

The criteria mentioned generally relate to the objective of reducing CO2 emissions but vary from one company to another and may relate to various CSR topics (renewable energy, sustainable development, preventing global warming, diversity, social, etc.). They may be quantitative (with disclosed target values) or only qualitative or indexed to external ESG indices/ratings. However, although CSR criteria are incorporated into many executives' pay, companies, through the compensation committee, still need to make their criteria clearer and more precise. Another concern is the level of requirement and ambition of these targets.

These now seem to be too easily achievable. By way of illustration, the four major European oil companies have all met at least 90% of the maximum for their climate/energy transition targets in their latest publications.

In addition, **the weighting of non-financial indicators used varies between 10% and 50% of the annual variable portion allocated to executives of CAC 40 companies.** The average weight of these criteria remained stable in 2023 and was close to 25%. However, there was a significant increase in the ESG criteria used for long-term variable pay, reaching 23% (i.e. 5 points more than the previous year).

As carbon reduction targets vary widely from one sector to another, the IFD considers it important to **leave the precise weighting of climate-related criteria to each company, as well as the choice of the criteria themselves.**

Specifically, the IFD recommends:

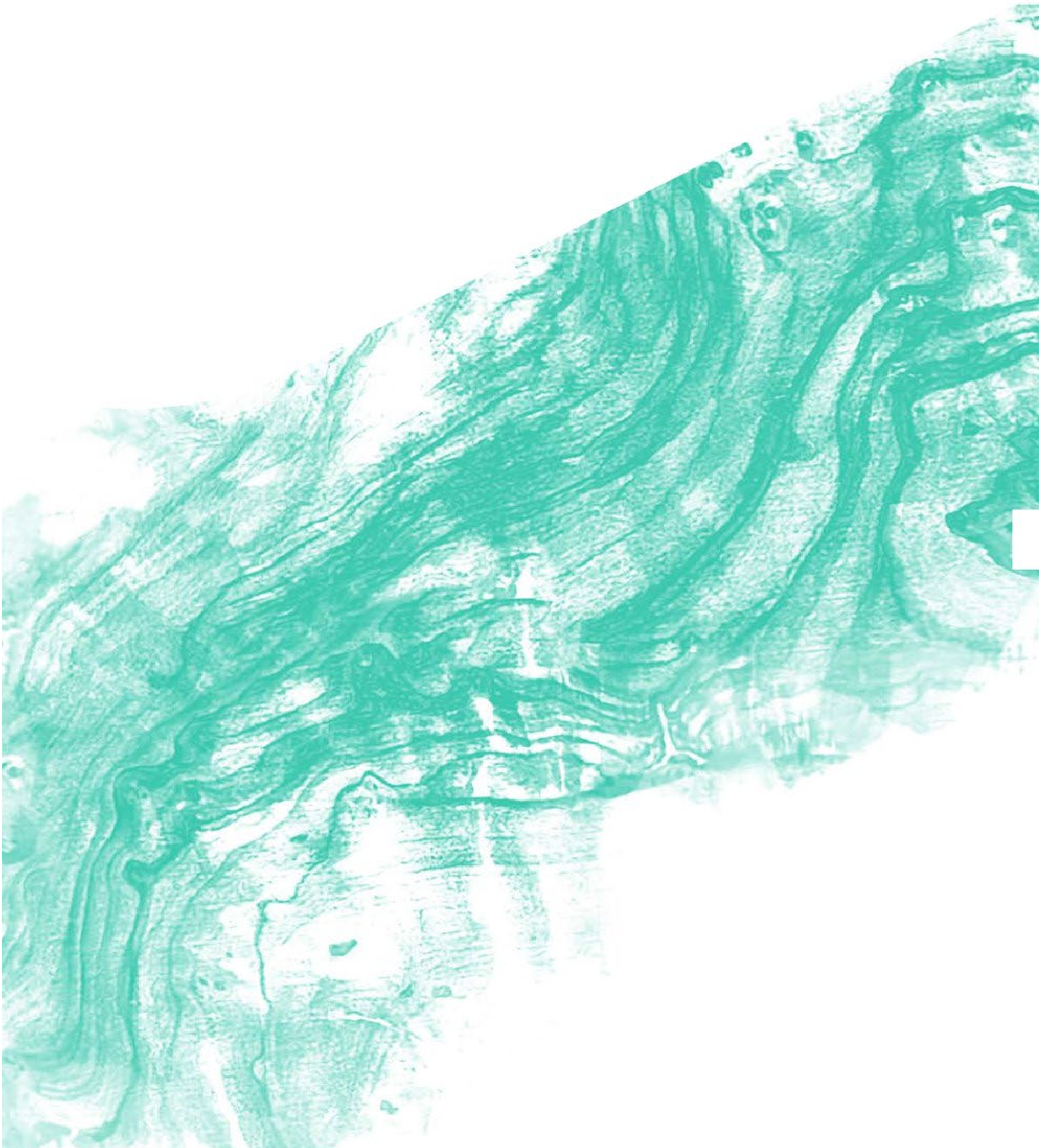
PROPOSAL 9

The inclusion in the short-term and medium-term variable component of executive pay of at least one criterion related to a company's climate objectives, ensuring the precision of the chosen criteria and prioritising **quantitative criteria** that are consistent with the transition plan defined by that company.

PROPOSAL 10

Climate criteria, combined with other key criteria related to biodiversity, governance and social commitment, assessed globally for variable remuneration (annual and long-term), should represent **a significant portion of the non-financial determinants of variable remuneration. This weighting may legitimately vary by sector and company.**

TABLE OF RECOMMENDATIONS



	Recommendations	Other possible practices
Organisation of Boards of Directors and the management of climate risks	**PROPOSAL 1** **The first priority is to ensure sufficient and coordinated preparatory work on climate risk and transition plans** by the committee(s) concerned to ensure that the entire Board takes this subject properly into account. To do this, we recommend that **Boards of Directors define and explain the respective roles of the various committees (CSR committee, audit committee, risk committee, etc.) in supervising the handling of climate risks.** Coordination should then be ensured between the various committees (e.g. through the establishment of common members on different committees and/or the organisation of regular meetings), while highlighting the particular role of the audit committees (or risk committees) in the general management of risks. This proposal should be linked to the CSRD Directive. **PROPOSAL 2** **Include the climate issue when assessing the operation of Boards of Directors. This assessment should consider the various topics:** time dedicated to climate risk analysis, quality of information, quality of training, etc. **PROPOSAL 3** **Each year, provide Boards with information on climate risks** for the company, applying the principle of dual materiality (impact of the business model on the climate and risks/opportunities for the company linked to climate change) required by the ESRS standards from their date of application.	Ensure that there is a sufficient presence of independent members on the relevant committee(s)
Skills and training of directors	**PROPOSAL 4** Organise **a general upskilling of all directors** and ensure that there are modules offered to directors at least **once every three years. Climate skills could be formally included in the assessment** of Board Members. **PROPOSAL 5** **Ensure the quality and availability of the training offered** which must address the various facets of climate issues (scientific, economic, regulatory, financial and accounting) and promote access to external expertise for Boards and Committees. **PROPOSAL 6** **Develop global, more uniform and standardised climate training, accessible to as many companies as possible, as well as accreditation of these training courses,** based on specifications drawn up by a consortium of players ensuring the neutrality of the training and its scientific rigour (Chapter Zero, IFD, ILB, IFA, CGI, WBCSB, etc.). The IFD could initiate this work to develop the content of these training courses and their standardisation by bringing together a consortium of identified players.	Extend the scope of this recommendation to investors and shareholder associations Define a recommended frequency to enable continuous upskilling

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<table>
<tr>
<td>Shareholder dialogue</td>
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PROPOSAL 8
Continue to converge the processing of financial information and climate information.
Companies should report in detail on their performance in the past financial year in order to reduce their carbon emissions and present their performance in relation to the commitments set out as well as in relation to its competitors. These elements should be incorporated into the sustainability reporting and the management report.
Under the CSRD Directive, transposed by Order No. 2023-1142 of 6 December 2023 on the disclosure and certification of sustainability information and the environmental, social and corporate governance obligations of commercial companies, the elements in a report for a past year regarding climate issues should give rise to reasonable assurance by the auditors as from the European Commission's adoption of these standards at the earliest in 2028. It is on the basis of these audited elements that the assessment of climate action taken by companies could ultimately be voted on.
For issues of operational efficiency and fair treatment of French and European players, consistency with the European agenda is essential. It would also protect the attractiveness of the financial centre. Feedback from players who voluntarily engage in a voting procedure on the climate performance report presented by Boards of Directors will effectively inform good practice in this regard.
The IFD will supplement its recommendations on the basis of the procedures specified at European level and on the basis of feedback from voluntary companies gathered by that point in time. However, with regard to the issue of the climate trajectory, just as a company's financial trajectory or strategic plan are not voted on by shareholders, the mandatory nature of such a vote on the forward-looking part of the climate strategy seems inappropriate.
The aim is to organise the most important work on the climate issue and to improve dialogue with shareholders, including on forward-looking aspects. Yet it is the Board of Directors that is responsible for a company's strategy, of which climate issues are a component, and there can be no question of removing it from this role.
Moreover, while the aim is to improve communications with shareholders, we consider that a vote with a binary outcome is not the right lever for action to accelerate a company's decarbonisation.
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<td>Where relevant, organise dedicated presentations or roadshows</td>
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<td>Remuneration</td>
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The inclusion in the short-term and medium-term variable component of executive pay of at least one criterion related to a company's climate objectives, ensuring the precision of the chosen criteria and prioritising quantitative criteria that are consistent with the transition plan defined by that company.
PROPOSAL 10
Climate criteria, combined with other key criteria related to biodiversity, governance and social commitment, assessed globally for variable remuneration (annual and long-term), should represent a significant portion of the non-financial determinants of variable remuneration. This weighting may legitimately vary by sector and company.
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<td>Integration of Scope 3 as soon as possible, after having precisely identified the categories in which a company has the means to take action</td>
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INTRODUCTION

The IFD's project 'Governance of the climate transition in companies: 10 recommendations of the Paris Financial Centre' focused on thinking about how companies' Boards of Directors should give more consideration to the management of carbon externality in their decision-making processes at both Board and committee level.

The main objective of this project was to:

1. Define the principles for Boards of Directors and executive bodies to take climate strategies into account;

2. Determine governance rules to take better account of carbon externality;

3. Integrate carbon performance into pay criteria.

The working group was organised into three modules which: (i) identified the key reports and doctrine produced in France on climate governance issues, (ii) gathered together international best practices and (iii) conducted over thirty interviews with the aim of identifying the expectations of the various stakeholders.

METHODOLOGY OF PROJECT 4 GOVERNANCE

Module 1: identification of doctrine and key documents in France	**Module 2:** inventory of international best practices	**Module 3:** review of the expectations of the various stakeholders
→ List all reference publications and doctrine elements in France on governance and climate issues → Summarise the topics covered, points of consensus, and differences → Identify any topics not addressed	→ Identify and summarise international reference documents and doctrine elements → Summarise the requirements stemming from existing European regulations → Identify innovative or new practices on governance issues in other jurisdictions	→ List all reference publications and doctrine elements in France on governance and climate issues → Summarise the topics covered, points of consensus, and differences → Identify any topics not addressed
50 documents identified and analysed	60 documents identified and analysed	30 interviews conducted by mixed teams
Module 4: recommendations and outlook		

The work made it possible to give an overview of Boards of Directors' practices as well as the recommendations already made by various institutions on the following topics: skills and training of directors, organisation of Boards and the management of climate risks, shareholder dialogue and remuneration. In addition, the group conducted interviews with members of companies' Boards of Directors as well as with representatives of investors, banks and proxy advisors.

Based on this review, the IFD has made a number of recommendations.

1. ORGANISATION OF BOARDS OF DIRECTORS AND THE MANAGEMENT OF CLIMATE RISKS

1. ORGANISATION OF BOARDS OF DIRECTORS IN FRANCE AND ABROAD

A. REVIEW OF THE CONDITIONS FOR ORGANISING BOARDS IN FRANCE TO BETTER INTEGRATE CLIMATE ISSUES

Since the Pacte Law (2019), Article L. 225-35 of the French Commercial Code has stipulated that *"A Board of Directors determines the company's business strategies and ensures that they are implemented, in accordance with its corporate interest, by considering the social, environmental, cultural and sporting issues of its business"*. It is therefore up to a Board of Directors to adopt the company's strategies, and in particular its climate strategy. It must do so in accordance with its corporate interest, taking into account these various issues[2].

I. IN PRACTICE, MANY COMPANIES IN FRANCE HAVE INCORPORATED CLIMATE ISSUES INTO THEIR BOARDS OF DIRECTORS THROUGH A DEDICATED COMMITTEE OR A CLIMATE OFFICER

The mandate of a committee dedicated to social and environmental responsibility (CSR Committee) consists of **reviewing, approving or making recommendations** to a Board of Directors concerning in particular **corporate social responsibility and sustainability issues, monitoring the progress made in integrating climate factors** (and more broadly ESG factors) into the strategy, as well as the adoption of the corresponding policies.

The **IFA - Ethics & Boards Barometer 2023**[3] notes that Boards of Directors take CSR issues and ESG criteria into account almost unanimously. The latest figures show that **90% of Boards of CAC 40 companies have a dedicated or combined CSR Committee.**

In recent years, the growth in CSR committees has been particularly marked:

→ In 2022, 94% of CAC 40 companies had set up a CSR committee (33 out of 35 companies)

→ The proportion of Boards of SBF 120 companies with a CSR committee (dedicated or combined CSR committee) represented 86.53% in 2022[4], i.e. 90 companies out of 104[5]

→ In 2021, 54% of SBF 80 companies had a CSR committee, compared with 43% in 2020

A *dedicated* CSR committee is now more widespread in SBF 120 companies than a *combined* CSR committee, whereas the reverse was true in 2019. The report of the French Financial Markets Authority[6] on corporate governance and executive compensation in listed companies (December 2022) found that, among the 50 companies studied, 73% of CSR committees already specifically address the climate.

2 Report on Say on Climate resolutions - Legal High Committee for Financial Markets of Paris (HCJP) - 15 December 2022

3 Press release IFA - Ethics & Boards Barometer 2023 - August 2023

4 2022 Governance Overview - Acceleration of ESG - EY

5 HCGE Report - November 2023

6 2022 Report on corporate governance and executive compensation in listed companies - AMF - 01 December 2022

It should be noted that in 2022, 34% of Boards included an analysis of the impact of climate change among their work themes, while this same percentage was close to zero two years prior, according to consulting firm EY Consulting[7].

This increase reflects the fact that Boards of Directors of CAC 40 and SBF 120 companies have taken CSR issues, including the climate, into account as a strategic concern.

France seems to be the most advanced country in this area, with the progress of CSR committees being significantly greater than elsewhere since 2017.

→ In 2022, only 49% of FTSE 100 companies in the UK, and 15% of HDAX companies in Germany had a CSR committee[8].

→ The rate of increase is lower in the UK and US: from 39% to 47% between 2017 and 2021 for FTSE 100 companies and from 36% to 38% for S&P 100 companies according to the IFA Ethics & Boards comparative study[9].

However, the monitoring of climate issues is not evident in audit committees' work reports: in only 20% of universal registration documents is the role of an audit committee in climate matters mentioned.

A wide variety of practices can be observed in terms of the tasks of a dedicated committee, its composition, regular attendance and the frequency of meetings.

A dedicated committee is generally responsible for reviewing strategy (or the non-financial strategy) and, frequently, reviewing non-financial reports (non-financial performance statement (DPEF), Taxonomy and non-financial risks) and determining the criteria for executive pay.

By way of illustration, several examples are given below:

Company	Organisation of the Board and the committee set up
Michelin and Saint Gobain	Dedicated CSR Committee
Sanofi	'Appointments, Governance and CSR Committee' combined committee
BNP Paribas	'Governance and CSR' Committee
Véolia	'Raison d'être' Committee, in which climate issues are integrated + 'Research and sustainable innovation' Committee
Vinci and TotalEnergies	CSR Committees linked to Strategic Committees
Legrand	Combined 'Commitments and CSR' Committee
Safran and Kering	Director responsible for monitoring climate issues
Renault	Strategic Committee + Independent ESG Committee Both committees were quickly merged into one 'Strategic and Sustainable Development Committee'

7 2022 Governance Overview - Acceleration of ESG - EY

8 2022 Report on corporate governance and executive compensation in listed companies - AMF - 01 December 2022

9 IFA - Ethics & Boards Barometer of Boards. Towards responsible and sustainable governance - 2021 review, p11

II. SEVERAL RECOMMENDATIONS HAVE BEEN MADE TO INTEGRATE CLIMATE ISSUES WITHIN BOARDS OF DIRECTORS, WHETHER THROUGH AN EXISTING COMMITTEE, A DEDICATED COMMITTEE OR A CLIMATE OFFICER

The codes of business federations and professional associations emphasise the importance of dedicated and well-prepared work within Boards of Directors on climate issues.

Article 16 of the Afep-Medef Code recommends that *"The number and structure of the committees are determined by each Board" and that "the compensation and the appointments of directors and corporate officers as well as* ***matters relating to social and environmental responsibility are the subject of preparatory work carried out by a specialised committee of the Board of Directors"***[10].

However, the code does not give a precise description of, or impose a specific format for this committee.

Practice shows that CSR topics can be prepared by a dedicated committee or a combined committee, which is not exclusively dedicated to CSR. CSR issues may be referred to audit committees, compensation committees and appointments committees. Companies choose the most appropriate format.

The code does also not mention a CSR expert on a Board of Directors and does not impose an exact percentage of independent directors for the CSR committee.

For its part, the new version of the Middlenext code recommends *"that each Board* ***establish a specialised CSR committee*** *or meet as a CSR committee, depending on its size. Depending on the topics, this committee works with other specialist committees."*[11]

Furthermore, it is up to companies to demonstrate that CSR is **at the heart of their strategy**. Directors must be accountable not only for a company's plan, vision and values, but also for the sustainability of its business model and its value-sharing policy. Accordingly, depending on their size and sector of activity, companies must adapt the implementation of this responsibility and ensure that a dedicated CSR committee is created. This proposal has become **a strong recommendation of the code** whereas, until now, Middlenext had left companies to decide on whether or not to use specialised committees[12].

Several institutions have also made recommendations to clarify the role of each Board committee in addressing climate issues.

In its report on Companies' Non-financial Transparency Mechanisms[13], the Legal High Committee for Financial Markets of Paris (HCJP) considers that **companies must remain free to organise their governance** in line with their situation and by prioritising a risk-based approach. It also stresses that it would be dangerous to make the audit committee a 'second Board of Directors'.

The idea of **maintaining some flexibility** is shared by other institutions. The French Institute of Directors (IFA)[14], for example, suggests assigning oversight of climate issues to one of the Board's committees without necessarily creating a dedicated committee.

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10 Associated doctrine elements: Joly Bourse Newsletter - CSR and climate issues in the Afep-Medef Code 2022; Bulletin Joly Sociétés - Afep-Medef Code 2022

11 Middlenext Code - page 27

12 Revue des sociétés - Middlenext Code 2021: tangible sustainable governance

13 Report on Companies' Non-financial Transparency Mechanisms - Legal High Committee for Financial Markets of Paris - July 2022

14 The role of the Board of Directors in taking climate issues into account - IFA Notes - Nov 2021. The very specific recommendations made by the IFA in 2019 have not yet been implemented in all companies

For its part, the AMF[15] stresses that taking CSR into account must be further reflected in the composition of governance bodies. In addition, the role of a CSR committee should be clarified in relation to an audit committee. The latter should ensure that these elements are taken into account in the systems for preparing and controlling non-financial information and that non-financial and financial developments remain consistent. The AMF also encourages the appointment of an officer who could be a means for a Board of Directors to deepen its work on a given CSR topic, such as climate.

In addition, **the role of a CSR committee is not strictly identical from one company to another:** it may be responsible for reviewing strategy, reviewing non-financial reports, and criteria for executive pay.

This role can also go beyond that. When a Board of Directors includes a climate resolution on the agenda of a general meeting, the AMF recommends[16] that the CSR Committee (if there is one) first makes a contribution to it, and that the company reports this contribution in the universal registration document. For its part, the Perrier Report[17] specifies that Boards of Directors and Executive Committees must be involved in the approval of carbon strategies, the resulting trade-offs and the monitoring of their implementation.

However, the **AMF warns of the importance of clarifying and structuring the respective roles** of each person, particularly when a company has appointed several key CSR officers to its Board of Directors (lead independent director in charge of shareholder dialogue, particularly with regard to CSR, Chairperson of the Board of Directors, Chairperson of the CSR Committee, lead independent director specialising in CSR). For the majority of CAC 40 companies, there is a CSR committee. In other companies, however, it is generally combined with the strategic committee, causing possible overlaps of competence.

B. IN EUROPE AND INTERNATIONALLY, CSR COMMITTEES ARE GRADUALLY TAKING THEIR PLACE ON BOARDS, WHILE REMAINING A FLEXIBLE STRUCTURE

I. THE LAW AND BEST PRACTICES GOVERN THE ESTABLISHMENT OF A CSR COMMITTEE

In Europe, the role of the Supervisory Board and the Audit Committee has been strengthened by the express requirements of the European Union in terms of non-financial reporting[18].

New EU legislation extends the mandate of Boards of Directors and committees to include environmental, social and governance (ESG) issues.

The new **European Commission Corporate Sustainability Reporting Directive (CSRD) entrusts a series of tasks** related to corporate sustainability reporting and assurance **to audit committees.** In paragraph 76, it is based on Directive 2006/43/EC which requires Member States to ensure that each public-interest entity has an audit committee and that it specifies its tasks with regard to the statutory audit. It then goes further by saying that ***"That audit committee should be assigned with certain tasks with regard to the assurance of sustainability reporting.*** *Those tasks should include* ***the obligation to inform the administrative or supervisory body*** *of the public-interest entity of the outcome of the assurance of sustainability reporting, and* ***to explain how the audit committee contributed to the integrity of sustainability*** *reporting* ***and what the role of the audit committee was*** *in that process. Member States should be able to allow functions assigned to the audit committee relating to sustainability reporting and relating to the*

15 2022 Report on corporate governance and executive compensation in listed companies - AMF - 01 December 2022; and Revue des sociétés - CSR, a new milestone has been reached

16 Monitoring and evaluation of the climate commitments made by Paris financial market participants - ACPR-AMF - October 2022

17 Perrier Report (March 2022)

18 The Audit Committee Frontier - addressing climate change - Deloitte

assurance of sustainability reporting, to be performed by the administrative or supervisory body as a whole or by a dedicated body established by the administrative or supervisory body."[19].

To that end, the CSRD amends Article 39 of Directive 2006/43/EC by inserting paragraph 4a which states that *"Member States may allow the functions assigned to the audit committee relating to sustainability reporting and relating to the assurance of sustainability reporting to be performed by the administrative or supervisory body as a whole or by a dedicated body established by the administrative or supervisory body."*.

The CSRD thus strengthens the role of audit committees while opening the **possibility for another Board committee or members of administrative and supervisory bodies to have the responsibility** of ensuring that the documents published by a company comply with sustainability reporting standards. This text was expected to be transposed in France by order, by 9 December 2023.

Internationally, as a guarantor of long-term performance and resilience, Boards must also determine the most effective way to integrate climate considerations into their structure and committees.

In its guide 'How to Set Up Effective Climate Governance on Corporate Boards'[20], the World Economic Forum considers that, regardless of the board structure, the approach to integrating climate considerations should enable sufficient attention and scrutiny of the climate as a financial risk and opportunity. The chosen structure should also allow for effective connection and communication with the relevant members of the executive management[21].

As in France, specialised committees at Board level can provide their support, but a Board of Directors continues to take all decisions.

II. IN PRACTICE, AT INTERNATIONAL LEVEL, DEDICATED COMMITTEES CAN TAKE SEVERAL FORMS

Abroad, there are also two entities that are potentially responsible for climate change issues within the committees of Boards of Directors:

- firstly, **an audit committee** whose expertise in financial reporting places it in a unique position to support the Board of Directors in this area[22];

- secondly, **an ESG/sustainability committee** due to its mandate on sustainability objectives and strategy.

19 eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32022L2464, p25

20 World Economic Forum - How to Set Up Effective Climate Governance on Corporate Boards Guiding Principles and Questions - 2019

21 World Economic Forum - How to Set Up Effective Climate Governance on Corporate Boards Guiding Principles and Questions - 2019

22 Chartered professional accountants Canada - A role for audit committees in oversight of climate change

A study of the top 30 European and North American banks[23] identified three approaches to structuring sustainability oversight at Board level:

1. **the creation of an ad hoc committee of the Board dedicated to sustainability:** it would have the role of providing support to the Board by establishing sustainability objectives and strategies;

2. **make the entire Board responsible for sustainability, similar to strategy:** oversight by the Board as a whole would involve an in-depth analysis of sustainability/ESG issues at Board meetings, the Board may also seek advice from a group of experts if necessary;

3. **combine a broad sustainability mandate within an existing Board committee.** The integration of sustainability into the mandates of existing committees could take several forms. As sustainability/ESG issues are broad, oversight responsibilities can be split between committees. In this case, an audit committee oversees the publication of standards and related assurance, a remuneration committee integrates ESG priorities into executive pay and incentives, and an investment committee reviews ESG-related financing and investment decisions.

It is already common for companies with high CO2 emissions to have a dedicated sustainability committee: all FTSE 100 mining and oil companies have a dedicated committee, compared with 54% of FTSE 100 companies as a whole[24]. In addition, 67% of S&P 100 companies[25] split ESG oversight between two or more committees.

Climate change is increasingly seen as an opportunity in Nordic countries, in particular, leading to the establishment of a transformation and innovation committee focused on ESG and the climate[26].

An ESG committee benefits from greater flexibility in its composition than other committees (regulated by stock market rules). Therefore, in international companies, it is noted that:

- approximately 45% of sustainability/ESG committees set a minimum number of independent non-executive directors (NEDs) or stipulate that the majority must be made up of such directors;

- 15% of sustainability/ESG committees are made up exclusively of independent non-executive directors (NEDs);

- the Chair of the sustainability/ESG committee is usually a NED. More than a third of sustainability/ESG committees include the Chairman of the Board.

23 www.cpacanada.ca/en/business-and-accounting-resources/strategy-risk-and-governance/corporate-governance/publications/audit-committee-oversight-climate-change Harvard Law School Forum - Governance of Sustainability in the Largest Global Banks - Stilpon Nestor, Morrow Sodali - Wednesday, 15 March 2023

24 Mattison Public Relations - September 2022 - More than half of FTSE 100 companies now have a board-level ESG committee

25 Columbia Law School - The CLS Blue sky Blog

26 INSEAD - Knowledge

2. MANAGEMENT OF CLIMATE RISKS

A. IN FRANCE, THE PRESENTATION OF ENVIRONMENTAL RISK EXPOSURE NEEDS TO BE IMPROVED

In its 2022 Governance Overview[27], the consulting firm EY identified 15 risk factors that are regularly analysed by SBF 120 companies, and 35% of the companies studied identify, among them, environmental risk (in ESG risks).

Risks can be broken down into **three main areas**, namely **operational risks, exogenous risks and ESG risks**, which are a separate family of risks in the overall risk mapping.

Company maps are already more comprehensive and transparent. Risk mapping is updated almost systematically for 95% of CAC 40 companies and 90% of SBF 120 companies. At the same time, 80% of CAC 40 groups base the risk ranking on net risks, i.e. after taking into account control systems, thus using a more coherent and consistent methodology. In addition, the various risk mappings produced are increasingly consistent (corruption, operational, CSR risks), thus enabling a clearer integration of climate issues.

Despite these advances, consideration of environmental risks and their presentation could be improved. According to the EY report, the disclosure of continuity plans and crisis management plans is still limited, and the levels of accuracy vary.

The High Committee for Corporate Governance (HCGE) also noted[28] that several companies **provided little or no information** on social and environmental risk exposure in the documentation presented by management to an audit committee during the review of the financial statements.

For 2021, only 70 SBF 120 companies provided this type of information (compared with 98 in 2020), including 26 CAC 40 companies (compared with all CAC 40 companies in 2020). The number of companies indicating that there was a management presentation of off-balance sheet commitments and social and environmental risk exposure was lower than in the previous year.

Information on management's presentation of social and environmental risk exposure	SBF 120		CAC 40	
	Financial year 2020	Financial year 2021	Financial year 2020	Financial year 2021
Companies indicating the existence of a management presentation on social and environmental risk exposure	95.1%	67.96%	100%	74.29%

According to EY, to overcome these difficulties, audit committees will need to strengthen their role and broaden their areas of expertise, particularly on CSR topics, and collaborate with CSR committees to improve the monitoring of internal audit points on climate issues.

27 2022 Governance Overview - Acceleration of ESG - EY

28 Report of the High Committee for Corporate Governance (HCGE) - Nov 2022, p.15 and 16

In addition, in the report 'Monitoring and evaluation of the climate commitments made by Paris financial market participants'[29], the AMF and ACPR reiterate their proposal **to systematically integrate monitoring indicators** into the risk mapping presented to a Board of Directors, to ensure that the commitment is properly met by the said date and to fully integrate environmental risks into risk management monitoring.

B. EUROPEAN REGULATIONS ALSO INTRODUCE AN OBLIGATION FOR COMPANIES TO IDENTIFY CLIMATE-RELATED RISKS

At European level, the European Commission has presented a proposal for a Corporate Sustainability Due Diligence Directive (CSDDD) aimed at **introducing an obligation for certain companies to carry out due diligence on their value chain to identify and mitigate risks and adverse impacts on human rights and the environment** and then disclose publicly how these obligations are met.[30]

Climate change issues and directors' duties do not explicitly fall within the scope of the proposed due diligence but are incorporated into Article 15 of the proposed CSDDD through discussions around the transition plan and its implementation.

The proposed directive currently under review in the trialogue provides for a provision in Article 25[31] concerning the scope of a director's duty to act in the best interests of their company. It states that directors must take into account the consequences of their decisions on sustainable development, including climate change and human rights, in the short, medium and long term. It should be noted, however, that the Council's general approach provides for the deletion of this Article. It will be necessary to wait for the outcome of the trilogues to know the fate of this provision.

For their part, the **European Sustainability Reporting Standards** (ESRS)[32] also require companies to analyse climate risks (financial risks for companies due to climate change) and in particular physical risks and transition risks. The undertaking must *"disclose the **main features of its risk management and internal control system** in relation to the sustainability reporting process"*. The undertaking must disclose *"the main risks identified and their mitigation strategies"*.

29 ACPR-AMF - Monitoring and evaluation of the climate commitments made by Paris financial market participants - October 2022

30 Companies within the scope of the proposed EU Sustainable Corporate Due Diligence Directive would have to conduct human rights and environmental due diligence by: - integrating due diligence into their policies
– identifying actual or potential adverse impacts
– preventing and minimising potential adverse impacts, and bringing actual adverse impacts to an end and
– mitigating their extent
– establishing and maintaining a complaints procedure
– monitoring the effectiveness of their due diligence policy and measures
– publicly communicating on due diligence

31 Article 25 Directors' duty of care. Member States shall ensure that, when fulfilling their duty to act in the best interest of the company, directors of companies referred to in Article 2(1) take into account the consequences of their decisions for sustainability matters, including, where applicable, human rights, climate change and environmental consequences, including in the short, medium and long term. Member States shall ensure that their laws, regulations and administrative provisions providing for a breach of directors' duties apply also to the provisions of this Article.

32 European Sustainability Reporting Standards - first set of standards (europa.eu)

IFD PROPOSALS

ORGANISATION OF BOARDS AND MANAGEMENT OF CLIMATE RISKS

PROPOSAL 1

The first priority is to ensure sufficient and coordinated preparatory work on climate risk and transition plans by the committee(s) concerned to ensure that the entire Board takes this subject properly into account. To do this, we recommend that **Boards of Directors define and explain the respective roles of the various committees (CSR committee, audit committee, risk committee, etc.) in supervising the handling of climate risks.** Coordination should then be ensured between the various committees (e.g. through the establishment of common members on different committees and/or the organisation of regular meetings), while highlighting the particular role of the audit committees (or risk committees) in the general management of risks. This proposal should be linked to the CSRD Directive.

PROPOSAL 2

Include the climate issue when assessing the operation of Boards of Directors. This assessment should consider the various topics: time dedicated to climate risk analysis, quality of information, quality of training, etc.

PROPOSAL 3

Each year, provide Boards with information on climate risks for the company, applying the principle of dual materiality (impact of the business model on the climate and risks/opportunities for the company linked to climate change) required by the ESRS standards from their date of application.

Other possible practices

- Ensure that there is a sufficient presence of independent members on the relevant committee(s)

2. SKILLS AND TRAINING OF DIRECTORS

1. REVIEW OF DIRECTORS' TRAINING IN FRANCE AND OF BEST PRACTICES TO BE ENCOURAGED

A. WHILE DIRECTORS ARE BETTER INFORMED ABOUT CSR ISSUES, THERE ARE STILL SHORTCOMINGS IN THE TRAINING OF ALL BOARD MEMBERS ON CLIMATE ISSUES, AS WELL AS A LACK OF COMMUNICATION BY COMPANIES ON THE STATE OF THEIR DIRECTORS' SKILLS IN THESE AREAS.

The revised version of the **AFEP-MEDEF Code published in December 2022** provides for the training of directors in CSR, particularly on climate issues**.** Article 14.1 on training directors states that *"one of the major conditions for appointing a director is his or her abilities, but it cannot be expected a priori that every director has specific knowledge of the corporation's organisation and its activities. Each director should be provided, if he or she considers it to be necessary, with supplementary training relating to the corporation's specific features, its businesses, its business sector and its social and environmental responsibility aspects, in particular climate issues"*[33]. The code states that it is left to the director's discretion to decide on whether or not training is needed.

For its part, **the AFG, in its 'Recommendations on corporate governance' 2023**[34], suggests, in point 2.4.6 that *"the company must encourage and facilitate the regular training of board members during their term of office, in particular on environmental, social and digital transformation issues".*

In practice, the AMF notes[35] that, on average, 58% of CSR committees are made up of a majority of directors with CSR expertise. According to the IFA - Ethics & Boards Barometer 2023, boards' expertise on CSR and ESG criteria is increasing. **Indeed, 57.5% of boards stated that they had at least one member with these specific skills**[36].

In addition, although 87% of the companies analysed disclose their directors' CSR skills, only 48% of the companies provide details of, or simply mention, their directors' CSR training processes. **The latest figures from the IFA - Ethics & Boards Barometer 2023 report that "the majority of CAC 40 boards do not provide any information on specific CSR/ESG training** carried out during the year, despite the extensive legislative projects underway at European level".[37]

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33 Corporate governance code for listed corporations - AFEP-MEDEF Code - December 2022 version, p. 12

34 Recommendations on Corporate Governance - AFG - January 2023, p. 17

35 2022 Report on corporate governance and executive compensation in listed companies - AMF

Report on corporate governance and executive compensation - Dec 2022. The figures presented in the report come from the study conducted on a sample of sixty entities (top 50 French companies in the SBF 120). The sample was determined so as to be representative of the diversity of public interest entities and their reciprocal share (listed companies, financial institutions, insurance and mutual insurance companies, etc.).

36 Press release IFA - Ethics & Boards Barometer 2023 - August 2023

37 Press release IFA - Ethics & Boards Barometer 2023 - August 2023 By way of comparison, in Germany, only one DAX company reports the presence of CSR/ESG expertise.

This report emphasises that the training of all directors and members of supervisory boards now appears to be an essential condition for a proper understanding of climate issues and their integration into the company's strategy.

Although directors are better informed about these issues, a certain amount of data, from various reports, shows gaps that relate both to the training of the board as a whole and to companies' reporting on the skills of their directors.

The rollout of climate actions by companies and financial institutions will therefore require training in all sectors and over time.

The Perrier Report[38] stresses the importance of rolling out these training courses and adapting them to the various sectors concerned, the financial system or financial undertakings. For financial undertakings, as for companies in general, the training of Boards should be widespread. Finally, according to this report, the banking training centre of the FBF [French Banking Federation] should be used for the banking sector, as should the SFAF [French Society of Financial Analysts] for financial analysis.

B. SEVERAL REPORTS BRING TOGETHER THE BEST PRACTICES TO BE ENCOURAGED TO IMPROVE THE SKILLS OF ALL DIRECTORS

The AMF's work concludes that it is necessary for companies to **review the content of directors' training on CSR issues** in order to then develop educational content delivered regularly and adapted to a company's specific issues, as well as a specific programme for newly appointed directors.

In addition, the AMF suggests that, prior to the appointment of future directors, CSR skills should be assessed and appear to be **a decisive criterion before their appointment.** These skills should therefore be clearly identified.

For its part, the IFA[39] advises **continually updating** Board members on climate issues via various tools: training processes, expert talks, providing updates on regulatory developments, etc.

Finally, the company must be able to **report on its directors' skills.** According to the AMF, this report could take several forms: (i) the publication of an individual presentation of directors' skills, (ii) the percentage of directors concerned for each skill, (iii) defining the skills requirements for directors, depending on the type of committee, and (iv) transparency on meeting these requirements.

38 Perrier Report (March 2022)

39 The role of the Board of Directors in taking climate issues into account - IFA Notes - Nov 2021. The very specific recommendations made by the IFA in 2019 have not yet been implemented in all companies

2. PRACTICES ARE DEVELOPING INTERNATIONALLY

A. SEVERAL INTERNATIONAL INITIATIVES HAVE BEEN LAUNCHED TO ENCOURAGE DIRECTORS' TRAINING ON CLIMATE ISSUES

Despite growing awareness of the scale and urgency of the climate crisis, too few directors have the interdisciplinary skills needed to make this radical change in culture and behaviour.

It is precisely for this reason that in 2019 the World Economic Forum (WEF) developed a set of principles, the Principles for Effective Climate Governance (CGI Principles) for Boards of Directors. The aim was to enable non-executive directors (NEDs) to acquire climate-related skills, integrate climate considerations into Board decision-making, and respond to the risks and opportunities that the climate emergency represents for the company's long-term resilience[40].

Similarly, according to ICGN 2020 analyses[41], despite increasing investor demands for Board governance in relation to climate change, few Boards can claim to tackle this topic with the same rigour and professionalism as that applied in other key Board functions.

Consequently, the solution is not to appoint a climate expert to the Board of Directors but to **upskill all Board members on the evaluation and management of climate-related risks and opportunities.**

It is precisely in order to meet this need for skills for non-executive directors (NEDs) that the Climate Governance Initiative (CGI) established **national 'Chapter Zeros'**. These enable NEDs to meet and exchange ideas, as well as to interact with external experts and access training: there are 29 active chapters around the world, covering more than 50 geographic areas and with more than 100,000 members.

The European chapters established[42] include: Belgium, France, Germany, Ireland, Italy, the Netherlands, the Nordic countries, Poland, Romania, Slovenia, Switzerland and the United Kingdom. Climate Governance Initiative (CGI) certified training for NEDs is being launched: the first certified programme is Canadian[43].

For its part, Climate Action 100+ encourages Boards of Directors to assess and publish the skills developed within their Boards in order to understand the net-zero target:

- The first step for the company is to **assess the skills** of its Board of Directors in terms of **climate risk management** and to publish the results of this assessment.
- The next step is to **provide details on the criteria used** to assess these skills and/or the measures taken to improve them[44].

40 World Economic Forum - How to Set Up Effective Climate Governance on Corporate Boards: Guiding principles and questions - January 2019

41 ICGN Viewpoint: The Board of Directors & Climate Change, 15 July 2020

42 German Council for sustainable development - Climate Governance Initiative Germany; Chapter Zero France, Directors' Climate Forum; Chapter Zero Italy; Chapter Zero UK; Chapter Zero Brussels; etc.

43 Climate Governance Initiative (CGI) - Climate Governance Initiative launches Approved Course curriculum - 22 February 2023

44 Climate Action 100+ Net Zero Company Benchmark: Disclosure Framework (assessed by Transition Pathway Initiative)

Boards may receive a yearly or half-yearly update on the company's climate policies, including measures for annual emission reductions, and on the targets that the company has committed to meet. The most ambitious companies will organise specialist introductory sessions to train their directors on the issue of climate change and raise their awareness of the importance of these topics.

The Climate Governance Initiative has developed a self-assessment as a prerequisite for consultancy training: a self-service tool is available online for NEDs and the Board as a whole in English and French[45].

B. IN ADDITION, SOME ASIAN COUNTRIES HAVE IMPLEMENTED INNOVATIVE PRACTICES TO STRENGTHEN DIRECTORS' TRAINING

An innovative approach exists in some countries such as **Singapore** where the market authority (SGX) recently **introduced the requirement to complete sustainability training**. The training is to be chosen from eight existing approved training courses, which directors of listed companies must attend in order to acquire basic knowledge on sustainability issues[46].

Directors must complete these courses in order to comply with the enhanced sustainability reporting standards imposed by SGX that require sustainability training for all Board directors of companies listed in Singapore.

Companies are required to provide confirmation that their directors have completed sustainability training in their sustainability report for financial years beginning on or after 1 January 2022 and published in 2023 or thereafter. The required training is given by providers representing various stakeholders in the capital markets[47].

In addition, **directors of Malaysian companies** are legally required to incorporate climate change considerations into their decision-making processes. Failure to do so may constitute a breach of a director's legal obligations and may expose them to action initiated by shareholders or enforcement measures by regulatory authorities. This is why mandatory training (mandatory accreditation programmes), including sustainability and climate risks, is now required for all directors of listed companies.

45 Chapter Zero France - Tools for directors

46 SGX Group "SGX RegCo announces start of sustainability training for company directors"

47 SGX Group "Capacity Building and Training"

IFD PROPOSALS

SKILLS AND TRAINING OF DIRECTORS

Strengthen the training of all directors on climate issues and make it systematic rather than relying on 'climate lead directors'.

PROPOSAL 4

Organise **a general upskilling of all directors** and ensure that there are modules offered to directors at least **once every three years. Climate skills could be formally included in the assessment** of Board members.

PROPOSAL 5

Ensure the quality and availability of the training offered which must address the various facets of climate issues (scientific, economic, regulatory, financial and accounting) and promote access to external expertise for Boards and Committees.

PROPOSAL 6

Develop global, more uniform and standardised climate training, accessible to as many companies as possible, as well as accreditation of these training courses, based on specifications drawn up by a consortium of players ensuring the neutrality of the training and its scientific rigour (Chapter Zero, IFD, ILB, IFA, CGI, WBCSB, etc.).

The IFD could initiate this work to develop the content of these training courses and their standardisation by bringing together a consortium of identified players.

Other possible practices:

Extend the scope of this recommendation to investors and shareholder associations

Define a recommended frequency to enable continuous upskilling

3. TRANSPARENCY AND DIALOGUE WITH SHAREHOLDERS

Dialogue between companies and shareholders is essential for the long-term success of taking into account the management of carbon externality and sustainable value creation.

Climate change issues are now an integral part of a company's strategy. Due to their complexity (physical risks, transition risks, chronic or one-off climate events) and the difficulty for companies to manage the time gap between investment decisions and expected results, regular meetings to inform and engage with shareholders seem essential.

This dialogue involves two key stages: (1) the development of a credible and transparent transition plan, and (2) the presentation of this plan to shareholders.

1. REVIEW OF TRANSPARENCY REQUIREMENTS IN TERMS OF REPORTING ON CLIMATE TRANSITION PLANS IN FRANCE AND ABROAD

A. IN FRANCE, PROFESSIONAL BODIES STRESS THE BOARD'S RESPONSIBILITY FOR PREPARING AND PUBLISHING A TRANSITION PLAN WITH SPECIFIC OBJECTIVES

Article 5 of the AFEP-MEDEF Code[48] proposes **strengthening the remit** of a Board of Directors so that it can guarantee the implementation of a company's CSR strategy. The code thus designates Boards of Directors as the body in charge of this CSR strategy and, especially, the climate strategy. **Specifically, the aim is to encourage companies to move from one-off measures to developing real climate plans, which must evolve according to the circumstances.** This article provides that:

1. At the proposal of General Management, **a Board of Directors determines multi-year strategic policy** in terms of social and environmental responsibility. General Management presents the Board of Directors with the **procedures for implementing** this strategy, including an action plan and the timeframes within which these actions will be carried out.
2. Each year, General Management will inform the Board of the **results** obtained.
3. **In terms of climate**, this strategy is accompanied by **specific objectives** defined for **different timeframes**. Each year, the Board will review the results obtained and the appropriateness, if applicable, of adapting the action plan or of changing the objectives in view, in particular, of changes in the company's strategy, technologies, shareholders' expectations and the economic capacity to implement them.
4. The climate strategy referred to in § 5.3 as well as the main actions undertaken for this purpose will be **presented at the ordinary general meeting at least every three years** or in the event of a significant change in the strategy.

For its part, **the Middlenext Code** expects companies to *"communicate better in demonstrating that CSR is a core focus of their strategy: relevance, materiality, completeness and accuracy are now the key principles of expected approaches."* (p. 5 of the Middlenext code).

48 Corporate governance code for listed companies - AFEP-MEDEF - December 2022 version, pages 6, 12 and 22

This recommendation is part of a movement to strengthen the disclosure of non-financial information concerning companies, which will become effective with the application of the new European Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS). It is also part of a desire to improve data reliability and comparability (a requirement found in new texts on interoperability and the single point of access to information via the European single access point (the ESAP platform[49]) which will replace the non-financial performance statement (DPEF)).

The AFG's Corporate Governance Recommendations specify that: *"(...) It is recommended that [the] strategy and action [of the Board of Directors] be consistent with the sustainable development of the company. From this point of view, the AFG encourages managers to* ***pay particular attention to social and environmental aspects*** *within a scope identical to that of the consolidated financial statements.*

Following on from the duties conferred by law on Boards, the AFG wants Boards to oversee the implementation and regular review of an ***effective risk management*** *policy, including in particular* ***strategic, financial, operational and non-financial risks****: human, environmental, reputational, etc. Boards should be involved in risk ranking as disclosed to investors."*[50]

For its part, the IFA[51] suggests **putting climate issues on a Board's agenda**, under the responsibility of Executive Committee members at least **every year**, in terms of strategy and risk management[52]. Furthermore, according to the report's recommendations, a Board of Directors should focus above all on ensuring that the annual report to shareholders is explicit on the trajectories and action plans, with a real concern for education and practical implementation.

B. INTERNATIONALLY, SEVERAL 'BEST PRACTICE GUIDES' ARE BEING DEVELOPED, AS ARE REGULATIONS, IN ORDER TO STRENGTHEN NON-FINANCIAL REPORTING

I. OVERVIEW OF SUSTAINABILITY REPORTING REQUIREMENTS

Since 2017 and the publication of the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), the picture of climate reporting, and more broadly of sustainability, has changed considerably and the demand from investors and other stakeholders is accelerating for useful and accurate information.

→ **In Europe:**

In November 2022, **the Corporate Sustainability Reporting Directive (CSRD)** was adopted by the European Parliament and the Council of the European Union. The CSRD amends and extends the Non-financial Reporting Directive (NFRD) in force since 2017.

It will make the publication of a sustainability statement mandatory within the management report. The statement is to be drawn up in accordance with the new *European Sustainability Reporting Standards* (ESRS), developed by the European Financial Reporting Advisory Group, **EFRAG**, and adopted by the European Commission at the end of July 2023. These requirements will apply to all listed companies in the European Union and large companies, gradually from 2025. ESRS standards include general reporting requirements as well as subject-specific requirements, including those related to climate change (ESRS E1).

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49 Press release: Ease of access for investors to company information: Council adopts position on the European Single Access Point (ESAP)

50 Recommendations on Corporate Governance 2023 - AFG - pages 5, 9, 17

51 The role of the Board of Directors in taking climate issues into account - IFA Notes - Nov 2021. The very specific recommendations made by the IFA in 2019 have not yet been implemented in all companies

52 The role of the Board of Directors in taking climate issues into account - IFA Notes - Nov 2021.

In February 2022, **the European Commission adopted a proposal for a Corporate Sustainability Due Diligence Directive**[53] **(CSDDD)**. At European level, it aims to apply the concept of 'due diligence' that was first proposed in 2017 by the French legislator in the *Law on the due diligence of parent companies and principal contractors*[54]. The aim of this directive is to promote sustainable and responsible behaviour by companies along their value chain and to embed environmental considerations in company operations and governance. The proposal includes specific requirements for climate change transition plans in order to ensure an effective contribution to climate change mitigation. This directive still needs to be reviewed by the European Parliament and the Council before it is adopted.

→ **Internationally:**

The Task Force on Climate related financial disclosures (TCFD) was created by the Financial Stability Board (FSB) to develop recommendations for the voluntary and consistent disclosure of climate-related financial risks for use by corporations in order to provide information to lenders, insurers, investors and other stakeholders. The TCFD published its first recommendations in June 2017, which have since been supplemented by implementation guidance[55].

In 2021, **the International Sustainability Standards Board (ISSB)** was created to develop global sustainability standards. The ISSB is an independent private body that operates under the supervision of the IFRS Foundation. In June 2023, the ISSB published its first two sustainability standards, IFRS S1 and S2. S1 sets out the general sustainability reporting obligations. S2 requires companies to provide information on climate change-related opportunities and risks as well as on their impact on their financial situation, financial performance, cash flows, strategy and business model. The effective date will depend on the jurisdictions that choose to apply the final standard.

For its part, in March 2022, in the United States, **the SEC (Securities and Exchanges Commission)** published a proposed rule entitled 'The Enhancement and Standardization of Climate-Related Disclosures for Investors'[56] which aims to strengthen and standardise climate-related information provided by listed companies. The SEC was expected to publish the final rules in autumn 2023. The effective date will be confirmed in the final rules.

The climate change disclosure requirements in the TCFD recommendations, the proposed SEC rule, the ISSB standards and the ESRS are structured into four pillars: **governance, strategy, risk management, measures and objectives.**

Finally, a process is under way to converge the ISSB and EFRAG standards in order to establish interoperability between international and European standards and reduce the burden on businesses.

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53 The proposal for a Directive on Corporate Sustainability Due Diligence can be found here

54 Law no. 2017-399 of 27 March 2017

55 TCFD website

56 Rules proposed by the SEC

II. INFORMATION FOR THE PREPARATION AND PRESENTATION OF TRANSITION PLANS

Definition of transition plans by international institutions

The revised TCFD recommendations set out a transition plan as follows: *"The transition plan refers to an aspect of an organization's overall business strategy that lays out a set of targets and actions supporting its transition towards a low-carbon economy, including actions such as reducing its GHG emissions."*

In **the European standard ESRS E1**, the transition plan for climate change mitigation is defined as follows: *"An aspect of the undertaking's overall strategy that lays out the entity's targets and actions for its transition towards a lower-carbon economy, including actions such as reducing its GHG emissions and with the objective of limiting climate change to 1.5°C and climate neutrality."*. It should be noted that, according to this text, if a company has not put a transition plan in place, it must indicate whether and, as applicable, when it will adopt a transition plan.

IFRS S2 defines the transition plan as *"an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions".* It refers to information on *"how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation"*. Information on climate-related targets refers to *"(i) the procedure in place for reviewing targets; (ii) the amount of the entity's emissions target to be achieved through emission reductions within the entity's value chain; (iii) the intended use of carbon offsets in achieving emissions targets*". It does not refer to a transition plan to align with the Paris Agreement.

In the United States, under the draft SEC regulation, in line with the TCFD recommendations, a transition plan refers to *"the company's strategy and implementation plan to reduce climate-related risks. A transition plan may include a plan to reduce its GHG emissions in line with its own commitments or commitments of jurisdictions within which it has significant operation"*. Under the proposed rules, a company is not required to adopt a plan. However, if it does adopt one, it is required to disclose its content. *"If a company has adopted a transition plan, the proposed rules require that it describe its plan, including the relevant metrics and targets used to identify and manage any physical and transition risks."*

INTEROPERABILITY REQUIREMENT

Following the publication of the final versions of IFRS and ESRS, Efrag must meet the requirement of interoperability between standards.

Regarding the transition plan and its implementation, the main points on which convergence between the ISSB and the ESRS is sought include:

- the disclosure of transition plans, including the financial resources allocated to the implementation of the plan;
- the disclosure of scope 1 and 2 GHG emissions and significant scope 3 items and the assessment of these emissions in accordance with recognised international standards (GHG Protocol; ISO 14064-1);
- the disclosure of GHG emission reduction targets for Scope 1, 2 and 3, in gross (before use of offsets) and net amounts, in order to understand the reduction targets excluding offsets, which would be published separately.

Additional information is requested in the ESRS due to other European regulations such as the alignment of the company's activities with the European taxonomy and an explicit reference to a scenario to contain the increase in the average temperature of the planet well below 2°C compared to pre-industrial levels and by continuing the action taken to limit the increase in temperature to 1.5°C in accordance with the Paris Agreement (Article 2).

III. IN PRACTICE, MANY COUNTRIES ARE ORGANISING THEMSELVES TO MEET THE REQUIREMENTS OF THE TCFD

In the UK, in October 2021, the UK government published the 'Greening Finance Roadmap'[57], signalling its intention to strengthen sustainability reporting requirements for companies, including the disclosure of climate transition plans. With respect to reporting requirements, under the current rules in the UK, regulators and the UK government already require many large companies, asset owners or managers and insurance companies that are either incorporated in the UK or carry out significant business in the UK to make reports in line with the TCFD recommendations. This obligation came into force in 2023.

The Transition Plan Taskforce (TPT[58]), a working group on the transition plan launched on 25 April 2022 by the UK Treasury, recommends building directly on existing guidelines on climate-related risk disclosure, such as those provided by the TCFD and the International Sustainability Standards Board (ISSB). Both these initiatives recommend that companies disclose a certain amount of information on their transition plans.

Switzerland has made the disclosure of this information mandatory for large Swiss companies from 2024, in accordance with TCFD recommendations.

57 Greening Finance: A Roadmap to Sustainable Investing - October 2021

58 The Transition Plan Taskforce disclosure framework - November 2022

New Zealand has made TCFD reporting mandatory from 2023.

Canada announced the requirement to report climate-related financial risks for all federally regulated financial institutions (TCFD) from 2024. This includes all Canadian banks as well as all federally incorporated or registered insurance companies, among others. In conclusion, companies subject to multiple reporting regimes in different jurisdictions will likely have to prepare sustainability reports that meet several different standards[59].

Major suppliers of Canada's government will be required to disclose their greenhouse gas (GHG) emissions and set reduction targets as of 1 April 2023, according to the new standards recently published. Under Canada's new 'Standard on the Disclosure of Greenhouse Gas Emissions and the Setting of Reduction Targets', federal government procurement contracts of more than $25 million will require suppliers to measure and disclose their GHG emissions, as well as adopt science-based reduction targets in accordance with the Paris Agreement[60].

In Sweden[61], an initiative called the 'Exponential Roadmap Initiative' brings together innovators acting in line with the 1.5°C target. It is a science-based cross-sectoral collaboration that has resulted in the publication of a report in three iterations. This initiative highlights 36 solutions with exponential expansion potential to halve global greenhouse gas emissions by 2030. It will help companies to organise themselves by sector to ensure an efficient transition in terms of scope 3 risks and reporting.

According to the latest TCFD status report, published in October 2022[62] and based on a review of 2021 financial filings, annual reports, integrated reports, sustainability reports and other related reports from 1,434 listed companies in five regions and eight sectors, **it appears that although the levels of disclosure of climate-related metrics and targets are relatively high (the levels of disclosure of metrics and targets a), b), and c) for 2021 reporting vary from 44% to 47%), growth related to metrics has slowed.**

According to the report, the challenges that remain are:

- scope 3 GHG emissions, including data collection and methodology issues;
- industry-specific metrics; investors and other users, interviewed as part of the report, identified the need to include industry-specific standardized climate metrics in company disclosures as the greatest need for improvement.

Based on the CDP's high-level assessment of companies' readiness for transition, it is estimated that between €900 billion and €1,800 billion, equivalent to around 20% to 40% of the debt of companies that have disclosed their data to the CDP, are potentially exposed to long-term risks[63].

It is also interesting to note that 36 of Europe's 50 largest banks, which control a total of €32.2 trillion in assets, have committed to reducing their emissions financed through the Net-Zero Banking Alliance (NZBA)[64]. In this context, some banks have already committed to stop lending to companies that do not have credible transition plans in key sectors.

59 Memo: EU Adopts Expansive Corporate Sustainability Reporting Requirements - January 2023, Sullivan and Cromwell LLP

60 ESG Today article - Government of Canada to Require Suppliers to Disclose Emissions, Set GHG Reduction Targets - March 2023

61 Exponential Roadmap Initiative

62 TCFD Status Report - October 2022

63 Strengthening Europe's corporate climate transition - CDP Europe Report - February 2023, p. 15

64 Net-Zero Banking Alliance - 2022 Progress Report

2. RESOLUTIONS AT GENERAL MEETINGS

The AFG's Recommendations on Corporate Governance develop a detailed strategy, in point 6 of the section "Facilitating participation in general meetings, providing appropriate information to shareholders"[65]: *"The AFG asks that **the company's executives present the company's strategy to the board members.** Particularly important issues must be **reviewed and approved by the Board** and described in the Board's report submitted to the general meeting. Such key issues include: (i) the company's medium and long-term business strategy; (ii) the company's environmental and social policy; (iii) the company's risk identification and management policy; and (iv) the financing of the strategy: debt, capital increase and dividend distribution policies. Distribution should be in line with the company's investment needs and consequently its long-term growth potential".*

Resolutions contribute to the effectiveness of shareholder dialogue. A distinction should be made between draft resolutions drawn up by a Board of Directors and those tabled by shareholders.

A. SHAREHOLDER RESOLUTIONS ON CLIMATE STRATEGY

I. SUBMISSION OF RESOLUTIONS BY SHAREHOLDERS IN FRANCE

In law, **the French Commercial Code** specifies that one or more shareholders representing **at least 5% of the share capital** (this percentage reduces proportionally according to the company's share capital) or a shareholder association[66], may request the inclusion of draft resolutions on the agenda[67]. Failing this, the resolutions adopted by a general meeting may be invalidated (optional invalidity)[68].

However, it is generally accepted, as explained in the HCJP's report, that when the request to include a draft resolution is intended to submit to a general meeting a decision that falls outside its competence, a Board of Directors may refuse to include that request (a refusal which may then, as necessary, be challenged in the courts). Nevertheless, resolutions requested by shareholders that meet the required conditions, in accordance with the procedures provided for by the regulations, must be included in principle (details on the legal elements of the resolutions are appended).

In practice, during the 2023 general meetings, two external resolutions were voted on (and rejected) in France. The shareholder group Follow This and a coalition of 17 investors tabled a shareholder resolution on scope 3 indirect emissions targets (advisory vote) at Total Energie's AGM (and received 69.56% of votes against). At Engie, a coalition of 16 investors tabled a resolution to amend two articles of the Articles of Association on the climate strategy (75.62% of votes against)[69].

65 Recommendations on Corporate Governance 2023 - AFG - pages 5, 9, 17

66 Article L255-105 of the French Commercial Code

67 Article R.225-74 of the French Commercial Code

68 Article L255-121 of the French Commercial Code

69 Novethic Essentiel - AGM 2023: See our exclusive table of climate resolutions, sector by sector

II. EUROPEAN AND INTERNATIONAL PRACTICES

In Europe, the Shareholder Rights Directive 2 of 2007[70] aims to encourage long-term shareholder engagement and allows shareholders to propose items for the agenda of general meetings or to present resolutions if they hold at least 5% of the company's capital[71].

Internationally, shareholder resolutions are often associated with shareholder activism, but they can be a useful tool to bridge gaps in a company's ESG strategy and an opportunity to address management practices and policies. The vast majority of resolutions on these ESG issues were tabled in the US, followed by Japan. However, shareholder resolutions on environmental and social issues can be found in various other jurisdictions.

At a global level, based on ISS data, the Forum for Responsible Investment *[Forum pour l'investissement responsable* - FIR] noted that **more than 180 climate resolutions tabled by shareholders were presented in 2023 (compared with 139 in 2021**[72]), including 86 in the US, 49 in Japan and 22 in Europe. At the beginning of June, the average approval rate calculated for all these resolutions was **17.4%**, with **strong disparities between countries such as France** where the rate for the two resolutions presented was 25% (e.g. the climate resolution at TotalEnergies had an approval rate of 28.6%) **and Norway** where the approval rate, at Equinor, for example, was 0.85%[73].

For example, in the United States, a shareholder must hold company shares with a market value of at least $2,000 for at least one year[74] in order to table a resolution.

According to a note from the Harvard Law School Forum on Corporate Governance[75], in the United States, the volume of resolutions relating to governance, and social and environmental aspects increased in 2022. A total of 538 shareholder resolutions were put to a vote in the first half of 2022. Environmental resolutions accounted for approximately 15% of all shareholder resolutions in 2021 and 2022[76].

The majority of shareholder resolutions are non-binding resolutions. If companies wish to exclude proxy resolutions, they must file a rejection request with the Securities and Exchange Commission (SEC) and indicate the legal basis for rejecting such resolutions.

The ICGN[77] suggests consistency with respect to the type of resolutions permitted: while in the US there is a procedure in place via the SEC for companies wishing to challenge a request to include a resolution on the agenda, in other jurisdictions there is less clarity with respect to the type of resolutions permitted, and there is generally no simplified process in place when a company disputes a resolution. The ICGN considers that it would be useful for all markets to have an established protocol for issuers to agree to or challenge shareholder proposals.

70 eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32007L0036

71 ICGN Viewpoint The Board of Directors & Climate Change - 15 July 2020 - There is a difference in the threshold requirement for the submission of a proposal within the European Union. While in some countries only a nominal value of shares is required to table a resolution, in other jurisdictions the threshold may reach 5% of the share capital indicated in the directive. In addition, the time period between when a company must be notified of the submission of a proposal and the date of the shareholders' meeting, or the setting of the record date differs by jurisdiction.

72 Harvard Law School Forum on Corporate Governance - Trends in E&S Proposals in the 2022 Proxy Season - Daniel Litowitz, and Lara Aryani, Shearman & Sterling LLP - 28 November 2022

73 Full report of Say on Climate 2023 - FIR

74 Cornell Law School - Rule 14a-8 (17 C.F.R. § 240.14a-8) under the Securities Exchange Act of 1934

75 2022 Proxy Season - Shareholder Proposal Review - Tom P. Skulski and Glenn O'Brien, Morrow Sodali - 3 October 2022

76 idem

77 ICGN Viewpoint The Board of Directors & Climate Change - 15 July 2020

B. RESOLUTIONS ON CLIMATE STRATEGY INITIATED BY THE BOARD OF DIRECTORS

I. SAY ON CLIMATE, A SOURCE OF DEBATE

A SAY ON CLIMATE RESOLUTION TABLED BY A BOARD IS NOT GOVERNED BY COMPANY LAW, ALTHOUGH IT LEAVES COMPANIES FREE TO CONSULT THEIR SHAREHOLDERS ON THEIR CLIMATE STRATEGY

Say on Climate was born out of shareholder activism by submitting shareholder proposals on climate: the Children Investment Fund (TCI), a UK hedge fund, launched the Say on Climate campaign for the first time in 2019. It encouraged companies to table their own climate resolutions, failing which a shareholder resolution would be tabled. It drew inspiration from the 'Say on Pay' resolutions, giving greater responsibility by 'giving a voice' to shareholders on climate strategy, as well as on pay.

Today, according to the AMF[78], *Say on Climate "generally means a* ***shareholder vote*** *on a resolution put on the agenda of a general meeting, on the initiative of the Board of Directors or one or more shareholders,* ***relating to that company's environmental strategy or policy, and in particular its climate impact.*** *For example, shareholders may vote on an energy transition plan or on the measures taken by a company to reduce its carbon emissions"*[79].

Say on Climate, otherwise referred to as 'climate' resolutions, aims, beyond dialogue, to seek shareholders' votes on topics related to the company's climate strategy: introduction of an enhanced climate reporting obligation, advisory or non-advisory vote on the company's climate strategy, obligation to regularly submit environmental information to a shareholder vote, etc.[80].

The practice of Say on Climate is not expressly governed by law or by the Paris Financial Centre recommendations. This is not a new right, but the practical implementation of the shareholders' right at any general meeting in order to enable them, with respect to climate issues, to vote on resolutions on the agenda in full knowledge of the facts and to become aware of the company's future prospects.

Nevertheless, the principle of 'hierarchy' (or 'speciality'), embedded in the French law of public limited companies since the *Motte* decision of the Court of Cassation in 1946, prohibits corporate bodies (which hold their powers by law) from encroaching on the prerogatives of other bodies and from relieving them of their powers. Insofar as the law entrusts Boards of Directors with the task of determining a company's strategy, in particular its climate strategy, a shareholders' vote on this matter seems difficult to reconcile with the principle of speciality. However, no provision in the French Commercial Code prohibits a Board of Directors from obtaining the opinion of a general meeting on an issue such as the company's environmental strategy. Since the vote is only advisory, a Board of Directors does not relinquish any of its powers to a general meeting, even if a Board of Directors undertakes to revise its strategy based on that opinion.

For its part, in its '**Report on Say on Climate resolutions**[81], the HCJP indicates that *"the possibility for shareholders to vote at an ordinary general meeting on the company's climate strategy by means of an advisory vote (...) does not contravene any legal rule or, in particular, the principle of the hierarchy of corporate bodies. As a result, no legislative or regulatory changes appear necessary to allow these resolutions to be developed. Moreover, a favourable opinion given by shareholders on the strategy adopted by a Board of Directors does not change in any way the legal regime of liability of the Board of Directors or the shareholders."*

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78 Revue Lamy Droit des affaires - Adaptation of the compensation rules for CAC 40 executives

79 2021 Report on corporate governance and executive compensation in listed companies - AMF - 2 December 2021

80 Report on Say on Climate resolutions - Legal High Committee for Financial Markets of Paris (HCJP) - 15 December 2022

81 Report on Say on Climate resolutions - Legal High Committee for Financial Markets of Paris (HCJP) - 15 December 2022

Opinions differ on the merits of a Say on Climate procedure. In particular, on the part of investors and proxy advisors, while some would like to extend it to companies in all sectors on the basis of an annual vote, others consider that it should be reserved for companies with high carbon emissions. For others, a shareholder vote amounts to disempowering Boards, and they would therefore prefer to make a decision on the climate strategy when directors are reappointed. Finally, some mention the risk of broadening this to requests for advisory votes on many other topics, e.g. CSR, diversity, biodiversity, circular economy, etc.

This is why the Afep-Medef code makes no recommendations regarding the Say on Climate practice. It simply recommends that the climate strategy be presented to the AGM at least every three years or in the event of a significant change in the strategy.

SAY ON CLIMATE IS NOT BECOMING WIDESPREAD

The submission of Say on Climate resolutions by the Board, a practice that did not exist three years ago, is far from becoming widespread.

In 2021, 3 companies, Total Energies, Vinci and Atos, consulted their shareholders on their strategy compared with 12 in 2022[82] (including Carrefour, EDF, Engie and Nexity). However, **in 2023, the Full report on Say on Climate by the FIR and ADEME**[83] counted 9 'Say on Climate' resolutions in France. (Covivio, Icade, Schneider Electric, Klépierre, TotalEnergies, Altarea, EDF, Vallourec and Amundi). The number of Say on Climate resolutions has also declined worldwide: 23 Say on Climate resolutions were tabled by companies' Boards of Directors (compared with 48 in 2022). These figures attest to the relative use of Say on Climate resolutions.

Nevertheless, for the Say on Climate resolutions actually tabled, the **shareholder approval rate is high in France.** Approval scores averaged 93.3% compared with 87.9% in 2022 (ICADE: 98.2%, Schneider Electric: 95.8%, TotalEnergies: 85.8% in 2023)[84]. This average rate is 89.2% worldwide.

SAY ON CLIMATE GENERATES MUCH DEBATE IN FRANCE

Some professional bodies have voted in favour of a generalised or even mandatory Say on Climate.

The Forum for Responsible Investment (FIR) has spoken on Say on Climate several times. In **September 2021**[85], it published recommendations aimed at an ambitious Say on Climate. The FIR's first recommendation is to make an annual advisory vote general practice at a general meeting of shareholders based on a report prepared by a Board of Directors. The vote would consist of two separate resolutions: one on the company's climate strategy and the other on the implementation of this strategy. The second would be to follow up on these resolutions. The FIR therefore invites issuers to table these resolutions, which it describes as *"a good governance tool that provides a permanent and regular framework for shareholder dialogue [...] without waiting for any regulatory obligation".*

82 Say on Climate report - FIR ADEME - 2023; 2022 Report on corporate governance and executive compensation in listed companies - AMF - 01 December 2022

83 Climate resolution presented by management

84 Say on Climate report - ADEME FIR - 2023

85 Press release - The FIR calls on the top 120 French capitalisation companies (SBF 120) to implement an ambitious Say on Climate - September 2021

Furthermore, in 2022[86], in order to *"fuel an ongoing and constructive dialogue between a company and its shareholders"*, the FIR recommended *"consulting shareholders at least once every 3 years on the company's climate strategy"*. This advisory vote on the climate strategy and its implementation should be organised "as a priority by companies that have the most impact" but could gradually *"be extended to all listed companies"*.

At the beginning of 2023[87], the FIR and 46 asset managers, stakeholders in the financial industry, affirmed, in a Forum[88], their convictions and expectations regarding Say on Climate resolutions: **(i) make the inclusion of climate resolutions on the agenda** at shareholders' general meetings systematic, **(ii) the 2023 Say on Climate resolutions must therefore include clear and comprehensive information** making it possible to assess the credibility of companies' climate commitments, **(iii) call on public authorities to establish a clear legal framework** aimed at making Say on Climate resolutions widespread, harmonising their content and facilitating shareholder initiatives making it possible to find additional information.

In line with the FIR, the AMF's **Climate and Sustainable Finance Commission** (CCFD) [89] also voted on shareholder resolutions and on a company's Say on Climate resolutions. On this last point, it recommends asking companies to *"put their climate strategy and decarbonisation plan to the vote of a general meeting, through a change in legal and normative frameworks confirming the mandatory nature of these resolutions"* (for companies subject to the CSRD). In addition, the CCFD suggests that a *"resolution on a company's climate strategy and decarbonisation plan be **put to a shareholder vote at least every three years**, or more frequently if required by a change in strategy or governance"*.

Say on Climate has also recently fuelled debates in Parliament. In July 2023, the National Assembly adopted an amendment[90] as part of the discussions on the green industry bill, despite the government's opinion to the contrary. This amendment, based on the FIR's position, aims to establish **the obligation for listed companies to present to the general meeting:**

- **every 3 years,** a draft resolution in an advisory capacity **on the climate and sustainability strategy**;

- **every year,** a draft resolution in an advisory capacity to approve the annual report **on the implementation of the climate and sustainability strategy.**

Although this amendment was finally deleted at the time of the Joint Committee meeting of Deputies and Senators on 9 October, it illustrates the existing debate on Say on Climate within professional bodies and which is continuing in political bodies.

Others, on the contrary, call for strengthening shareholder dialogue by deepening the content of resolutions (disclosure of emissions for all scopes, and past, present and future carbon performance, etc.) without emphasising the voting procedure.

In a statement, **the AMF** called on issuers[91], ***"to continue or even strengthen their shareholder dialogue on their climate strategy,*** *as part of their general meeting, but also, on a regular basis, before and after it. Such dialogue, prior to that meeting, is certainly appropriate in the event of shareholders submitting a climate resolution."*. It also asks companies listed on a regulated market to *"further strengthen their reporting on their*

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86 FIR proposal for the Say on Climate framework and making the submission of environmental and social resolutions easier - December 2022

87 FIR Forum 2023 - Shareholder dialogue can lead to real progress for the climate

88 FIR Forum 2023 - Shareholder dialogue can lead to real progress for the climate

89 Climate and Sustainable Finance Commission: climate resolutions - March 2023

90 www.assemblee-nationale.fr/dyn/16/amendements/1512/AN/483.pdf This Say on Climate amendment was tabled by Alexandre Holroyd and 26 other deputies, and adopted on 21 July 2023 by the National Assembly. After the vote in the Senate and the National Assembly, the deputies and senators were to meet in a joint committee in October to try to agree on a final version of the text.

91 AMF statement - 8 March 2023 - Shareholder dialogue on environmental and climate issues

climate strategy and to present it at each general meeting in the form of an agenda item with debate.". In this context, companies will have to present their strategy, with precise, reasoned and detailed targets.

The AMF also considers *"that it will be appropriate, when the time comes and under conditions to be defined by law, for this information to be tabled to the shareholders for approval, as is the case for the annual financial statements."*

This position is also supported by the HCJP, which considers it more desirable to *"prioritise soft law recommendations as climate thinking, practices and regulations are constantly evolving, particularly at European and international level"*. It recommends developing a *"general framework, in particular for the information to be provided to shareholders who are asked to give an advisory opinion"*. [92] [93]

II. THERE IS THE SAME DEBATE IN EUROPE AND INTERNATIONALLY

Europe is the region where there is the greatest development in these practices

European investors have developed an analysis grid for Say on Climate, which is generally constructed by assessing the extent to which companies' climate disclosures and ambitions are comprehensive and consistent. This includes a Board's accountability and adequate oversight of governance, disclosure of all relevant GHG emissions related to its activities (scopes 1, 2 and 3 as applicable), ambition to achieve net zero greenhouse gas emissions by 2050 or earlier, and ambitious climate strategies with clear and credible targets and milestones in the short, medium and long term.

In the United Kingdom, the Transition Plan Taskforce*,* mentioned above in this report, also addresses shareholder dialogue. The UK working group recommends that **transition plans be incorporated into broader climate-related disclosures in financial reports** (such as a UK listed company's annual report) and be subject to a binding vote at the annual general meeting at the time of approving the annual accounts. This recommendation is currently the subject of public consultation.

In Spain, the legislator implemented European Directive 2014/95/EU on non-financial information known as the 'Non-Financial Reporting Directive' (NFRD) through Law 11/2018 on non-financial information and diversity envelope, which requires listed companies with at least 500 employees during the tax year **to attach a consolidated management report to their consolidated financial statements**. This consolidated management report, which must **include** the legally required **non-financial information**, is **put to an annual shareholder vote.** It is mandatory for the report on non-financial information to be submitted, as a **separate item on the agenda,** for shareholder approval at annual general meetings.

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92 Report on Say on Climate resolutions - Legal High Committee for Financial Markets of Paris (HCJP) - 15 December 2022

93 Another suggestion from the HCJP: in the event that a Board of Directors' decision is challenged, the arbitrator will be the judge of the Commercial Court. To enable shareholders to obtain a rapid court decision in the event of challenging a Board of Directors' refusal to include resolutions on the agenda, the Working Group proposes to apply expedited proceedings on the merits to these disputes by amending Article L. 225-105 of the French Commercial Code. For its part, the AMF reiterated that it has no authority to assess the admissibility of draft resolutions whose inclusion on the agenda of a general meeting is requested by shareholders, or to assess the merits of any refusal by a Board of Directors to include such draft resolutions on the agenda of a general meeting. These disputes are the responsibility of the Commercial Court.

INTERNATIONALLY, THE PRACTICE OF SAY ON CLIMATE REMAINS SPORADIC AND IS DEVELOPING UNEVENLY ACROSS SECTORS AND REGIONS

In 2021, through an investor position statement[94] coordinated by the IIGCC, 56 leading investors, managing more than $14,000 billion in assets, called for new corporate governance measures to enable shareholders to hold companies accountable for meeting their 'net zero' commitments.

→ In this statement, investors asked companies to publish a net zero transition plan, identify the director responsible for the plan and provide investors with a way to vote annually on the progress made in respect of the plan.

→ The statement considers that in jurisdictions with strong governance arrangements and where local law allows, **a regular advisory vote on implementation is an effective mechanism.** Where shareholder support is weak, whether for the plan itself or for its implementation, companies must publicly explain why investors have refused support and the corrective actions to be taken before the next annual general meeting.

However, it should be noted that other investors, such as Calpers or BlackRock, have taken a much more cautious approach given the medium and long-term impacts that this has on the company's governance and financial activity.

At the same time, **the IIGCC has launched the Net Zero Engagement Initiative (NZEI)** to strengthen and accelerate companies' engagement on climate-related issues. By increasing the number of companies engaged beyond the Climate Action 100+ priority list, including those on the demand side, 107 companies received letters from 93 investors setting out their expectations for a plan to transition to a net-zero economy[95].

There is sectoral diversification, and companies in the financial, industrial, energy and utilities sectors are more likely to adopt a Say on Climate resolution tabled by a company. Among the companies that held their first management-supported Say on Climate votes in 2022, 22% (8/36) were utilities companies and 19% (7/36) were financial institutions[96].

The Say on Climate guide of the Principles for Responsible Investment (PRI)[97], drawing on various sources, makes it possible to understand the expectations for reducing CO2 emissions by sector by 2030.

In the same vein, **the Global Sector Strategies**[98] developed by Climate Action 100+ and its network of investors, **identify the key sector actions** that companies, investors and industries must implement to meet their emission reduction commitments.

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94 Cross programme - Net Zero Investment Framework Implementation Guide - IIGCC - April 2021

95 Net Zero Engagement Initiative - IIGCC

96 SquareWell Partners - What's Been Said on Climate and the Changing Climate on Investor Behaviour - December 2022

97 Climate transition plan votes - Investor briefing - December 2022

98 Global Sector Strategies | Climate Action 100+

IFD PROPOSALS

TRANSPARENCY AND DIALOGUE WITH SHAREHOLDERS

PROPOSAL 7

Make it systematic for companies to present the climate strategy and/or the implementation of this strategy at Shareholders' General Meetings.

More specifically, companies should disclose their trajectory, including long-term and medium-term targets, the timetable and transition plans, specifying the baseline assumptions and the means used to achieve them. This disclosure should cover all emission scopes. Company emission plans should be consistent with the data and timeframes of financial trajectories. Indeed, in order to be effective, companies' climate strategies must be fully integrated into their business models and overall strategy. Companies' presentations of their performance (see proposal 8) should highlight any deviations from the proposed climate trajectory.

PROPOSAL 8

Continue to converge the processing of financial information and climate information.

Companies should report in detail on their performance in the past financial year in order to reduce their carbon emissions and present their performance in relation to the commitments set out as well as in relation to its competitors. These elements should be incorporated into the sustainability reporting and the management report.

Under the CSRD Directive, transposed by Order No. 2023-1142 of 6 December 2023 on the disclosure and certification of sustainability information and the environmental, social and corporate governance obligations of commercial companies, the elements in a report for a past year regarding climate issues should give rise to reasonable assurance by the auditors as from the European Commission's adoption of these standards at the earliest in 2028. **It is on the basis of these audited elements that the assessment of climate action taken by companies could ultimately be voted on.**

For issues of operational efficiency and fair treatment of French and European players, consistency with the European agenda is essential. It would also protect the attractiveness of the financial centre.

Feedback from players who voluntarily engage in a voting procedure on the climate performance report presented by Boards of Directors will effectively inform good practice in this regard.

The IFD will supplement its recommendations on the basis of the procedures specified at European level and on the basis of feedback from voluntary companies gathered by that point in time.

However, with regard to the issue of the climate trajectory, just as a company's financial trajectory or strategic plan are not voted on by shareholders, the mandatory nature of such a vote on the forward-looking part of the climate strategy seems inappropriate.

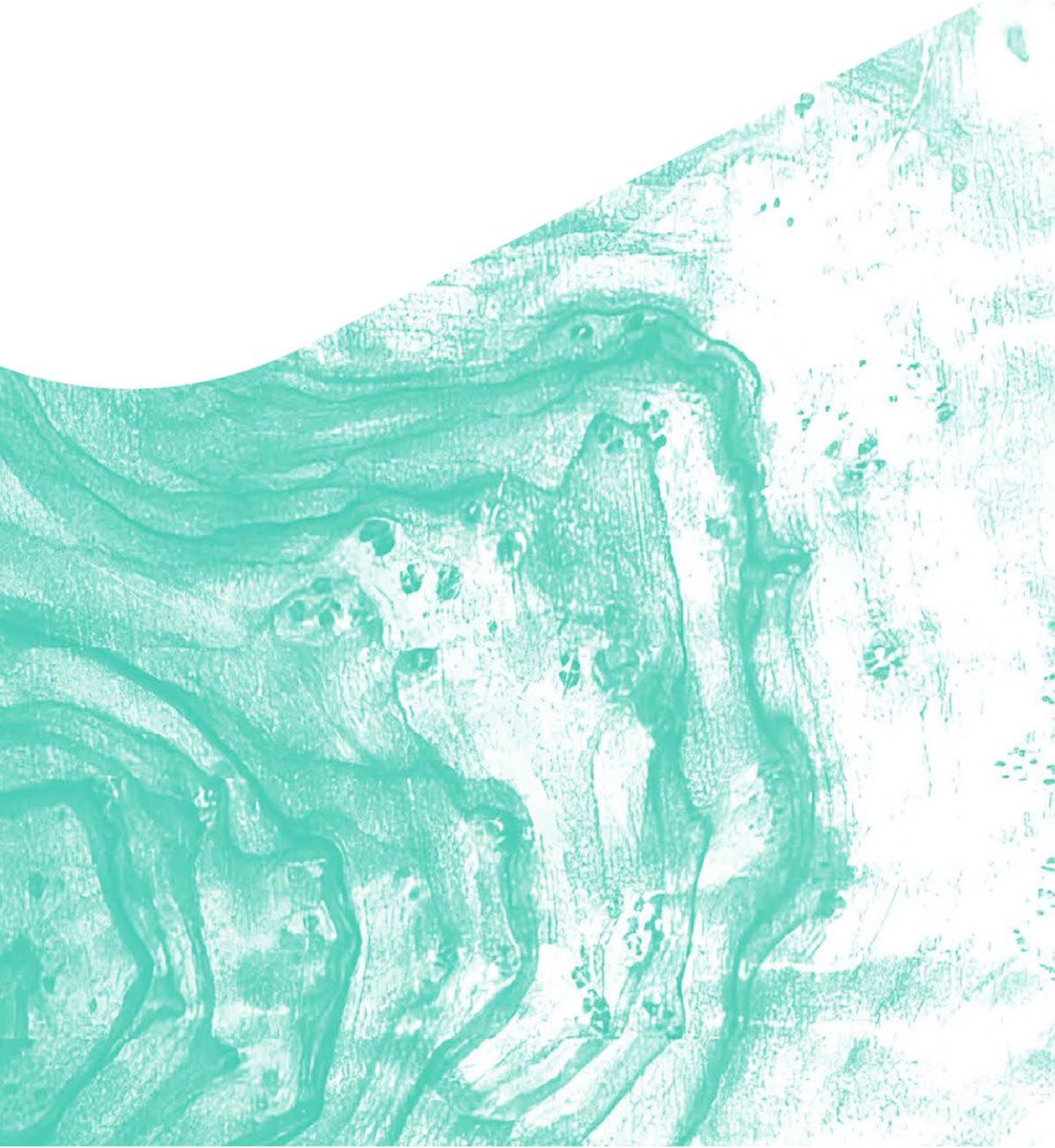
The aim is to organise the most important work on the climate issue and to improve dialogue with shareholders, including on forward-looking aspects. Yet it is the Board of Directors that is responsible for a company's strategy, of which climate issues are a component, and there can be no question of removing it from this role.

Moreover, while the aim is to improve communications with shareholders, we consider that a vote with a binary outcome is not the right lever for action to accelerate a company's decarbonisation.

Other possible practices

Where relevant, organise dedicated presentations or roadshows

4. REMUNERATION



1. REVIEW OF PRACTICES IN FRANCE ON THE INTEGRATION OF A CLIMATE CRITERION INTO EXECUTIVE PAY

A. THE AFEP-MEDEF AND MIDDLENEXT PROFESSIONAL CODES CALL FOR THE CLIMATE TO BE TAKEN INTO ACCOUNT IN THE REMUNERATION OF COMPANY EXECUTIVES

The AFEP-MEDEF Code stipulates that *"The remuneration of these executives must be competitive, adapted to the company's strategy and context and must aim in particular to improve its performance and competitiveness over the medium and long term, by incorporating several criteria related to social and environmental responsibility, including at least one criterion related to the company's climate objectives.* ***These criteria, defined in detail, must reflect the most important social and environmental issues for the company. Quantifiable criteria must be prioritised."*** (§ 26)

For its part, **the 2021 Middlenext code** states that *"If compensation includes a variable component, it should at least be based on one non-financial indicator"* and that *"For variable compensation, measuring the achievement of performance targets takes into account*
quantitative criteria – financial and extra-financial – and qualitative criteria[99]". These last points are an important first step forward, but the Middlenext code does not yet specifically mention the climate in remuneration.

B. REVIEW OF THE INTEGRATION OF CLIMATE-RELATED CRITERIA INTO REMUNERATION

I. COMPANIES ARE GRADUALLY INCORPORATING CLIMATE-RELATED CRITERIA INTO EXECUTIVE PAY[100]

The report produced by EY[101] on corporate governance specifies that during the 2021 financial year 43% of the 100 companies selected from the SBF 120 set up an incentivised variable remuneration system based on CSR targets for several senior executives (in addition to the Executive Committee).

The HCGE[102] notes, in more detail, a marked improvement in companies' integration of environmental criteria into the variable component of their corporate officers' pay. The November 2023 HCGE report notes that, for 2022, there was one or more CSR criteria for 99% of SBF 120 companies and 100% of CAC 40 companies. With regard to climate criteria, in 2021, of the 103 SBF 120 companies considered in the report, 84 companies (compared with 67 in the previous financial year) included one or more of these criteria (i.e. 81%) and of the 35 CAC 40 companies, 32 companies (compared with 27 in the previous financial year) included one or more of these criteria (i.e. 91.4%). For the 2022 financial year, the HCGE found that 87.3% of SBF 120 companies included a climate criterion in their executives' pay, including 98.14% of CAC 40 companies.

99 Middlenext - Corporate Governance Code, pp. 33 and 35

100 Bulletin Joly Bourse - CSR and climate issues in the Afep-Medef 2022 code - FIR's analysis of the remuneration policy of ten French companies (carried out in 2022)

101 Governance overview - 2021 - EY on corporate governance

102 Report of the High Committee for Corporate Governance - November 2022, p. 64

Among the 25 companies in the SBF 120 that did not include such an environmental criterion in their executive's annual variable pay in 2022, 11 companies nevertheless included it in the long-term pay of their corporate officers (in the form of multi-annual variable pay, stock options or performance shares)[103].

	SBF 120		CAC 40	
	Financial year 2020	Financial year 2021	Financial year 2020	Financial year 2021
Indication of the criteria for determining the variable portion (quantifiable and/or qualitative)	94.7%	99%	100%	97.1%
Inclusion of one or more CSR criteria		93%		94.3%
Inclusion of one or more environmental criteria		81%		91.4%
Review of the application of criteria by Boards at the time of payment	91.3%	98%	91.7%	100%

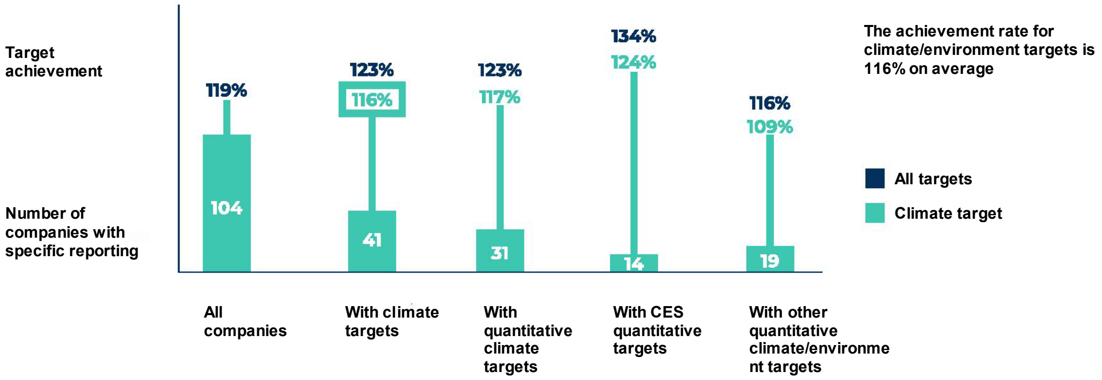
Source: Report of the High Committee for Corporate Governance - November 2022

The IFA-Ethics & Boards-Chapter Zero France Barometer[104], which differentiates more precisely between the short term and long term, indicates that 87% of CAC 40 companies have included at least one climate/environment target into their CEO's short-term or long-term remuneration policy. In addition, 44% of CAC 40 companies have included climate/environment targets into their CEO's short-term and long-term remuneration policy, compared with 39% for determining the amount of the annual variable remuneration[105].

However, the Barometer criticised the specific implementation of these criteria and their evaluation in order to be able to translate it into a variable remuneration component. The climate commitments made are over the long term, by 2030-2050, while the targets set for executives are usually defined over 3 to 4 years. In order to maintain consistency between the long-term targets and intermediate targets, it proposes to turn the SBTi validated long-term decarbonisation ambition into an operational plan with multi-year due dates and to integrate these values into executives' long-term remuneration plans (over three or four years).

In addition, **the IFA-Ethics & Boards-Chapter Zero France Barometer** notes an average achievement rate for annual climate/environment targets in 2021 of more than 100%, which raises questions about the ambition of the targets set.

Ex post - 2021 ST CEO remuneration Achievement rate for climate targets *versus* all targets



Sources: Companies' 2021 universal registration documents; Ethics & Boards, Chapter Zero France and IFA analyses

103 Report of the High Committee for Corporate Governance - November 2023, p. 99

104 SBF 120 Remuneration Barometer Climate & CEO Compensation policy - November 2022 - Ethics & Boards, Chapter Zero France, IFA, pp. 7-8

105 IFA-Ethics & Boards-Chapter Zero France SBF 120 Barometer 2023 - November 2022 - Ethics & Boards, Chapter Zero France, IFA

II. THE PORTION OF VARIABLE REMUNERATION DETERMINED BY ESG CRITERIA IS BECOMING INCREASINGLY SIGNIFICANT

Executive pay is increasingly linked to their performance on social and environmental criteria.

By differentiating the short term from the long term, the AMF report[106] on *corporate governance and remuneration for 2022* noted that the proportion of non-financial criteria increased in the 2022 remuneration policies of the top 50 French companies in the SBF 120. It represented 26% of the criteria for annual variable remuneration and 21% of the criteria for long-term variable remuneration.

In this same report, it is stated that **the weighting of non-financial indicators used generally varies between 10% and 50% of the annual variable portion allocated to executives of CAC 40 companies**. For a quarter of them, this rate is 40% and there are few companies with CSR criteria representing 50% of the annual bonus, as was the case in 2021 for Sanofi[107].

The latest results of the IFA-Ethics & Boards Barometer 2023[108] show that **the average weight of these criteria in the annual variable remuneration of executives is around 25% and remains stable.** However, the ESG criteria used for **long-term variable pay increased significantly** by more than 5 points in one year to 23%.

III. THERE ARE A WIDE VARIETY OF NON-FINANCIAL CRITERIA THAT DETERMINE A PORTION OF THE VARIABLE COMPONENT OF REMUNERATION

The main non-financial criteria found in the annual variable components of CAC 40 group executives concern governance, the environment, working relations and conditions, local development, as well as business relations and consumer interests. With regard to the climate, in practice, the criteria mentioned generally relate to the goal of reducing CO2 emissions.

Depending on their level of maturity in implementing the climate plan, their sector and their operating model, companies include the following criteria in their remuneration policy[109]:

- quantitative targets with target values disclosed (45% of companies include them in LT variable and 52% in ST variable remuneration);
- only qualitative (10% of companies include them in LT variable and 13% in ST variable remuneration);
- indexing only to external ESG indices/ratings such as CDP (11% of companies include them in LT variable and 3% in ST variable remuneration).

The IFA found that in 2021, 74% of companies included at least one quantitative climate target in the LT and/or ST variable remuneration policy, and 20% of companies had a quantitative target in both the LT and ST variable remuneration.

Companies that have introduced new non-financial performance criteria include[110]:

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106 Revue des sociétés - CSR, a new milestone has been reached

107 2022 Report on corporate governance and executive compensation in listed companies - AMF - 01 December 2022

108 Press release - REF 2023: the IFA unveils the first figures on CAC 40 companies' specific commitment to CSR - August 2023

109 CAC 40 - Remuneration barometer - Climate & CEO Compensation policy November 2021

110 Revue Lamy Droit des affaires - Adaptation of the compensation rules for CAC 40 executives

Company	Percentage of senior executive pay determined by non-financial criteria	Criteria
EDF	30% of senior executives' variable remuneration	Carbon intensity targets for the group's electricity and heat production
Getlink	10% to 15% of the Chief Executive Officer's variable remuneration	Emissions reduction targets in short and long-term variable remuneration
TotalEnergies	6% of the CEO's annual variable remuneration 30% of senior executives' remuneration (15% for Scope 1 and 2 emissions and 15% for Scope 3)	Remuneration linked to CSR and climate criteria Half of this remuneration is linked solely to the achievement of specific GHG reduction targets The non-financial criteria represent 40% of the executive's variable remuneration CSR performance and steering of the strategy towards carbon neutrality represent 15% of non-financial criteria, respectively, while profitable growth in renewable energies and electricity represent 10%
Kering	30% of an executive's annual variable remuneration	For sustainable development, objective of reducing its environmental impact in line with its plan forecast for 2050
Legrand	25% of an executive's variable remuneration component	5% of this variable component relates to sustainable development and combatting global warming
Crédit Agricole	40% of an executive's variable remuneration component	Projects with human, customer and societal objectives that are linked to the collective dynamic of unforeseen external events represent 8%, respectively
Saint Gobain	10% of remuneration for long-term incentives 5% of annual remuneration	Includes three components: CSR, safety and diversity

IV. PROFESSIONAL BODIES CALL FOR FURTHER CLARIFICATION OF NON-FINANCIAL CLIMATE-RELATED REMUNERATION CRITERIA

Although CSR criteria are incorporated into many executives' remuneration, companies, through the compensation committee, need to go further as regards their definitions.

The High Committee for Corporate Governance (HCGE) considers that a simple reference to the application of CSR policies, or reference to an internal CSR programme or to undefined general issues are not enough. In particular, it expects CSR criteria to be **defined precisely, be more understandable and relevant, and incorporate the social and environmental issues specific to the company**[111].

In practical terms, some good practices could be put in place, such as prioritising the inclusion of **quantifiable CSR criteria** (whether qualitative or quantitative), General Management presenting to the Board the **methodology used** to measure these CSR criteria and, lastly, an annual review by the Board of the **trajectory set** for achieving the CSR criteria. Furthermore, transparency regarding the weighting of environmental objectives and regarding the criteria used to assess if they are met is also an important condition for improving the inclusion of environmental policies in remuneration[112].

The IFA-Ethics & Boards-Chapter Zero France Barometer highlights that for 30% of companies that have integrated at least one climate objective, **the reporting of the achieved objectives is based solely on aggregated results** within a set of ESG/CSR or quantitative/individual objectives. Unlike financial objectives, the results of which are almost always reported by objective, it is not possible to extract and isolate the climate/use of natural resources criterion. In order to give credibility to the remuneration policy, the report therefore suggests more transparent reporting on incentives linked to the decarbonisation policy in remuneration, detailing specific objectives and their achievement rate[113].

The College of Directors of Sustainable Development [*Collège des directeurs du développement durable* - C3D], chaired by Fabrice Bonnifet, promotes the establishment of a 'golden climate', measured every year (with timing however adapted to the company's profile). This would account for 50% of short and long-term variable remuneration and would be conditional on a reduction in greenhouse gas emissions in absolute terms, including if the company is growing, for scopes 1, 2 and 3. This variable would only be paid or allocated if the company's decarbonisation trajectory is validated by science. This system would replace the current variable remuneration and should make it possible to limit the risk of offsetting financial criteria that are more difficult to achieve with qualitative, more discretionary, non-financial criteria.

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111 Report of the High Committee for Corporate Governance - November 2022, pp. 15-16

112 ACPR-AMF - Monitoring and evaluation of the climate commitments made by Paris financial market participants - October 2022; AMF Report on corporate governance and executive compensation - Dec 2022

113 IFA-Ethics & Boards-Chapter Zero France SBF 120 Barometer 2023 - November 2022 - Ethics & Boards, Chapter Zero France, IFA

2. REDUCING GHG EMISSIONS IS ALSO INCREASINGLY TAKEN INTO ACCOUNT IN EXECUTIVE PAY AT EUROPEAN AND INTERNATIONAL LEVEL

A. REVIEW OF EUROPEAN REQUIREMENTS IN TERMS OF INCENTIVE-BASED REMUNERATION CONCERNING CLIMATE ISSUES

I. EUROPEAN REGULATIONS REQUIRE COMPANIES TO TAKE THE CLIMATE INTO ACCOUNT IN EXECUTIVE PAY IN ORDER TO INCREASE THE INCENTIVISED ROLE OF PAY

At European level, Article 15 of the proposed Corporate Sustainability Due Diligence Directive - CSDDD[114] stipulates that the contribution of directors to the company's long-term interests and sustainability must be taken into account when setting their variable remuneration. This requirement ensures that the emission reduction plan is properly implemented and integrated[115].

For their part, the European Sustainability Reporting Standards (ESRS) of the CSRD require companies to disclose information on **the proportion of variable remuneration** that depends on sustainability targets and/or impacts.

II. IN PRACTICE, THESE TARGETS ARE STILL LIMITED IN EUROPEAN COMPANIES AND RARELY DISCLOSED

The Leadership Institute of the London Business School and PwC, with the support of the Swedish investment firm Cevian Capital, examined the climate targets related to executive pay at Europe's 50 largest companies[116]. Several observations were made.

On the one hand, although most companies include targets to reduce carbon emissions in executive pay, **only 14% of them meet investors' expectations**, i.e. the targets must be significant, measurable, transparent and clearly linked to disclosed carbon neutrality targets.

On the other hand, **transparency regarding targets could be improved** in order to increase corporate responsibility and strengthen investor confidence in the credibility of the incentive tools put in place. Today, less than half of companies with carbon reduction targets make these transparent, and only about one in ten companies discloses clear information on the link they make between short and medium-term pay targets and long-term carbon neutrality targets.

Finally, another concern that also arises at the level of European companies involves the **target requirement level**. On average, the targets reviewed in the study were achieved up to 88% of the maximum, and half of them were fully achieved. By way of illustration, the four major European oil companies have all met at least 90% of the maximum for their climate/energy transition targets in their latest publications. As with French companies, these results raise the question of the ambition of the targets that now seem too easily achievable.

114 The directive proposed in February 2022 by the European Commission still needs to be reviewed by the European Parliament and the Council before being adopted. Specifically, the CSDDD would introduce into European law the concept of 'due diligence', which was proposed for the first time by the French legislator in Law no. 2017-399. eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022PC0071

115 However, Article 15 does not distinguish between executive and non-executive directors, which is problematic. In practice, non-executive directors do not receive remuneration indexed to the company's performance since they are not in charge of day-to-day management.

116 Paying for net zero - Using incentives to create accountability for climate goals - Pwc

B. INTERNATIONALLY, PRACTICES ARE CONVERGING TOWARDS BETTER CONSIDERATION OF THE CLIMATE IN REMUNERATION PLANS

I. IN PRACTICE, CLIMATE INDICATORS ARE INCREASINGLY INCLUDED IN EXECUTIVE PAY PLANS

The World Economic Forum (WEF), in its Executive Compensation Guidebook for Climate Transition[117], published in 2021, analyses the use of climate indicators in executive pay plans by companies on the S&P500 and the main indexes in Europe.

It notes that on average 19% of companies include climate and broader environmental measures in their remuneration plans (these figures amount to 14% in the United States and 28% in Europe).

More specifically, 16% of companies include these measures in their short-term remuneration plans (STI plan) (12% in the United States and 23% in Europe) and only 7% of companies include these measures in their long-term remuneration plans (LTI plans) (2% in the United States and 13% in Europe).

These figures increased significantly in 2023, particularly in short-term remuneration plans in the US and long-term remuneration plans in Europe[118]. The additional study published in 2023 by the WEF shows that **39% of US and European companies include climate indicators in remuneration plans** (25% in the United States and 66% in Europe), 32% in their short-term plan (STI Plan, 24% in the United States and 52% in Europe) and 14% in their long-term plan (LTI Plan, 3% in the United States and 35% in Europe).

For example, the CEOs of companies listed in Singapore have a 10-15% portion of their remuneration made up of climate targets. In the UK, the ‘binding say-on-pay’ takes place every three years, and every year an advisory vote on remuneration takes place: 20% of a LTIP is based on the climate transition and 10% on social objectives. This approach is based on SBTi guidelines.

In addition, **climate indicators are most often included in remuneration plans for executives in high-carbon industries** such as energy and utilities (water, electricity, gas suppliers, etc.). Among all US and European companies that included an environmental measure in their 2021 remuneration plan:

- **92% of US and European oil and gas companies included an environmental measure in their remuneration plans** (70% in their STI plans only and 22% in STI and LTI plans);
    - this figure amounts to **65% for suppliers** (35% in their STI plan, 14% in STI and LTI plan and only 16% in the LTI plan).

117 Executive Compensation Guidebook for Climate Transition - WTW - November 2021

118 Executive Compensation - Guidebook for Climate Transition - WTW - May 2023

- **In contrast, only 14% of retail companies,** all plans combined, include an environmental measure in their remuneration plan;
  - this figure falls to 11% for financial companies and to 5% for transport companies[119].

Most listed companies include environmental and/or social indicators in their remuneration policies, but not all are fit for purpose. The PRI (Principles for Responsible Investment)[120] indicate that the integration of ESG issues into executive pay is in its early stages and that further work on this issue is crucial.

II. INVESTORS COMMIT TO TAKE BETTER ACCOUNT OF THIS INFORMATION ON INCENTIVISED REMUNERATION BEFORE INVESTING

From 2025, the UK asset manager Legal & General Investment Management (LGIM) will intensify its climate change policy in selected sectors[121].

LGIM will only support a new remuneration policy for a company, which is submitted to shareholders, provided that climate targets aimed at carbon neutrality across the entire value chain (scope 1 to 3) are included in the long-term remuneration plan (LTIP). **The weight of climate targets is expected to account for at least 20% of the overall LTIP allocation in these companies.**

III. THE RECOMMENDATIONS OF SEVERAL INTERNATIONAL PLAYERS ARE CONVERGING

Remuneration should be used to increase executives' motivation and create accountability to ensure the achievement of sustainability results that are not reflected in earnings per share (EPS) or total shareholder return (TSR).

The three recommendations[122] of the ICGN, the World Economic Forum and Climate Governance Initiative and Climate Action 100+ are heading in the same direction:

- Boards must incorporate key performance indicators (KPIs) into their long-term remuneration plans (LTIP).
- KPIs should be aligned with specific interim steps of the company's long-term climate transition strategy until 2050.
- Indicators must be specific and significant, measurable, transparent, and based on scientific data (for climate).

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119 Executive Compensation Guidebook for Climate Transition - WTW - November 2021

120 Integrating ESG issues into executive pay - A review of global utility and extractive companies - PRI - 2016

121 Autos, Apparel, Aviation, Banks, Cement, Chemicals, Food, Insurance, Mining, Oil & Gas, REITs, Shipping, Steel, Technology, Telecoms and Utilities. - LGIM's UK principles on executive pay - October 2022

122 ICGN Viewpoint: The Board of Directors & Climate Change - July 2020; How to Set Up Effective Climate Governance on Corporate Boards - Guiding Principles and Questions - WEF - 2019; Climate Action 100+ - Net Zero Company Benchmark - October 2022; Cevian Capital Requires ESG Targets in Management Compensation Plans - 2021

IFD PROPOSALS

REMUNERATION

As carbon reduction targets vary widely from one sector to another, **the IFD considers it important to leave the precise weighting of climate-related criteria to each company, as well as the choice of the criteria themselves.**

Specifically, the IFD recommends:

PROPOSAL 9

The inclusion in the short-term and medium-term variable component of executive pay of at least one criterion related to a company's climate objectives, ensuring the precision of the chosen criteria and prioritising **quantitative criteria** that are consistent with the transition plan defined by that company.

PROPOSAL 10

Climate criteria, combined with other key criteria related to biodiversity, governance and social commitment, assessed globally for variable remuneration (annual and long-term), should represent **a significant portion of the non-financial determinants of variable remuneration. This weighting may legitimately vary by sector and company.**

Other possible practices:

The IFD maintains that Scope 3 should be included in the remuneration criteria as soon as possible, after having precisely identified the categories in which a company has the means to take action.

APPENDICES

APPENDIX 1

LIST OF MEMBERS OF THE 'GOVERNANCE' WORKING GROUP OF THE INSTITUTE FOR SUSTAINABLE FINANCE (IFD)

Angeles Garcia-Poveda	Legrand (Chairwoman of the WG)

Hélène Auriol-Pottier	IFA
Jean Berthon	ILB
Valentine Bonnet	AFG
Arnaud de Bresson	IFD
Odile de Brosses	AFEP
Elena Canale	France Assureurs
Frédéric Coutant	Independent
Romane Delevoie	ADEME
Thomas Devarieux	FBF
Florence Didier-Noaro	INNWISE
Hélène Drouet	Macif (AEMA group)
Julie Fardoux	BFT
Mylène Gallaud	AXA
Anna Guillaume	Chapter Zero France
Michael Herskovich	BNP AM (rapporteur)
Anne-Valérie Kehr	FBF
Cédric Laverie	ISS
Caroline Le Masne	Vivendi
Anne-Sophie Marin	BpiFrance
Yann Marin	ACPR
Hugo Mebrek	Federal Finance
Audrey Menassé	Danone (rapporteur)
Juliette Mollo-Majour	IFD
Diane Moulonguet	LBPAM
Charles Pinel	Proxinvest
Philippe Renard	TotalEnergies
Ladislas Skura	Medef
Fouad Salyh	Medef
Monica de Virgiliis	Chapter Zero France

APPENDIX 2

LIST OF INTERVIEWS CONDUCTED AS PART OF THE IFD's WORK

COMPANIES AND DIRECTORS

Fabrice Bonnifet - Director of Sustainable Development & QSE (Quality-Safety-

Environment) of the Bouygues Group

Pierre-André de Chalendar - Chairman of Saint-Gobain, Chairman of the *Institut de l'Entreprise*

Jérôme Cohen - Founding Chairman of ENGAGE, co-founder of the *Grand Défi des entreprises pour la Planète*

Vanessa Fortin - Head of Governance at Engie (**Laure Philippon**, CSR strategy & Sustainable finance Director)

Fabienne Lecorvaisier - Former Deputy CEO of Air Liquide

Caroline de la Marnierre - Founder and President of the *Institut du capitalisme responsable* (ICR)

Eliane Rouyer-Chevalier - Honorary President of the *Association Française des Investor Relations* (CLIFF), Head of a continuing training programme at Université Paris Dauphine, Independent Director (Legrand SA)

Gilles Schnepp - Chairman of the Board of Directors at Danone (and at Saint-Gobain and Sanofi)

Jean-Dominique Senard - Chairman of the Board of Directors at Renault (with **Jean-André Barbosa**, VP European Affairs & Regulations; **Patrick Claude,** Finance and **Clémentine de Quatrebarbes,** Executive Director)

INVESTORS / ASSET MANAGERS

Sebastien Akbik - Analyst, Governance Issues at Principles for Responsible Investment (PRI); Annaïg Antoine-Miermont, Head of PRI France);

Nogoye Dieng

Charles-Henri d'Auvigny - Chairman of F2iC; **Aldo Sicurani** - Chief Executive Officer, F2iC

Grégoire Cousté - General Delegate of the Forum for Responsible Investment (FIR)

Edouard Dubois - Head of Proxy Voting, Amundi

Clara Gaymard - Co-founder of RAISE (and **Gonzague de Blignières**)

Anne-Claire Impériale - Head of ESG Research, Sycomore

Pauline Lejay - Head of SRI at ERAFP (French Public Service Supplementary Pension Scheme)

Alban de Mailly Nesle - Chief Financial Officer at AXA; **Ulrike Decoene** - Head of Communications and Sustainable Development, Axa

Colette Neuville - President of ADAM

Hubert Rodarie - President of the French Association of Institutional Investors (Af2i)

Olivier Rousseau - Member of the Management Board of *Fonds de Réserve pour les Retraites* (FRR)

Philippe Setbon - Chairman of the AFG and Chief Executive Officer of Ostrum Asset Management (and Laure Delahousse, Deputy CEO of the AFG)

MARKET AUTHORITIES

Gérard Rameix - Chairman of the Legal High Committee for Financial Markets of Paris (HCJP)

Jérôme Reboul - Deputy Secretary General of the French Financial Markets Authority (AMF), Director of Regulatory Policy and International Affairs Directorate.

BANKS

Elisa Cencig - Senior ESG Policy Adviser, Norges Bank Investment Management (and Torsnes Vegard, Lead Investment Stewardship Manager)

Alain Papiasse, Chairman of Corporate and Institutional Banking, BNP Paribas and Chairman of the Steering Committee of Paris Europlace

Patrick Suet, Secretary of the Board of Directors, Société Générale

PROXY

Louis Barbier - CEO, Squarewell

Charles Pinel - CEO, Proxinvest

Catherine Salmon - Managing Director, ISS

RATING AGENCIES

Elie Herard-Dubreuil - Chairman, Ethifinance

Marc Lefevre - Managing Director, Scope

INTERNATIONAL PLAYERS

Julie Baddeley - Chair of Steering Group at Chapter Zero, UK

Shai Ganu - Climate Governance Initiative, Member of the Global Governance Board, Singapore

Liselotte Hägertz Engstam - Chair of Boards Impact Forum (the Nordic Chapter of Climate Governance Initiative) and Member of Global Governing Board Climate Governance, Initiative in collaboration with World Economic Forum, Scandinavia

Kirsten Paterson - Chief Executive, Institute of Directors, New Zealand

APPENDIX 3

SUMMARY OF KEY EUROPEAN AND INTERNATIONAL DISCLOSURE REQUIREMENTS FOR CLIMATE-RELATED RISKS AND OPPORTUNITIES AND TRANSITION PLANS

Climate-related reporting and disclosures are divided into two parts:

1. **a description of the material climate-related risks (and opportunities),** their impact on a company's strategy, business model and financial performance, as well as the resilience of a company's strategy taking into account climate-related scenarios;

2. **a description of the processes put in place to identify, assess and manage climate-related risks and opportunities** and how these processes are integrated into a company's overall risk management.

The non-financial reporting standards of international and European bodies (IFRS and ESRS), the final versions of which were published in June and July 2023, are aligned with the recommendations of the TCFD.

IFRS and ESRS include disclosure requirements describing how sustainability issues are addressed at the strategic level. These standards require:

- **a description of material risks and opportunities** in terms of sustainable development;
- **consideration of the impacts and dependencies** as sources of risks and opportunities;
- **the disclosure of the effects of risks and opportunities on the business model** and value chain as well as the concentration of risks and opportunities in a company's value chain;
- **disclosure of the effects of risks and opportunities on the company's strategy** and decision-making and how it responds to them;
- **disclosure of the progress of plans** of previous periods and trade-offs between risks and opportunities.

IFRS and ESRS require the disclosure of the process(es) for identifying, assessing and managing sustainability risks and opportunities. These standards require:

- **the disclosure of how a company assesses the likelihood of, and effects** associated with, sustainability risks, as well as how it ranks sustainability risks relative to other types of risks;
- **an explanation of how a company has determined the relevant information** related to material risks and opportunities;
- **the disclosure of the sustainability risk management process(es)** including related policies;
- **the disclosure of the extent to which and how the process(es) for identifying, assessing and managing sustainability risks are integrated into the overall** risk management process.

Some minor discrepancies remain between the draft SEC Regulation and the ESRS Delegated Act, reflecting evaluation priorities and terminology, but they do not call into question the convergence of standards as they are not structural.

➔ **Climate-related risk disclosure** covers the value chain (upstream and downstream). There are differences in the extent of the value chain considered, as the rules proposed by the SEC focus on first-level relationships, while the TCFD, ESRS and IFRS consider multi-level relationships.

➔ **The materiality of climate-related issues** is based on a financial materiality perspective for all draft rules and standards where financial materiality is defined (SEC: “substantial likelihood that a reasonable investor would consider it important when determining whether to buy or sell securities or how to vote”, ISSB: “sustainability related risks and opportunities could affect enterprise value”, CSRD: “A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the undertaking”).

➔ **The CSRD also requires the disclosure of the material impacts of the company on the environment based on the assessment of the impact materiality,** i.e. the actual or potential impact from the perspective of the people and the environment affected. Although the IFRS and SEC do not use the term impact materiality, they recognise that sustainability risks arise from sustainability-related impacts, and therefore that measuring sustainability risks (e.g. climate transition risks) requires measuring related sustainability impacts (e.g. GHG emissions).

➔ **The CSRD and ESRS E1 explicitly refer** to a scenario making it possible to contain the increase in the planet’s average temperature well below 2°C compared to pre-industrial levels and by continuing the action taken to limit the increase in temperature to 1.5°C in accordance with **the Paris Agreement (Article 2).**

➔ IFRS S2 refers to a scenario aligned with the latest international agreement on climate change.

➔ The SEC refers to scenarios that assume different increases in global temperature, such as, for example, 3°C, 2°C and 1.5°C above pre-industrial levels.

REPORTING AND DISCLOSURE OF TCFD REQUIREMENTS IN PRACTICE

Based on the review of FY21 financial documents, annual reports, integrated reports, sustainability reports and other related reports from 1,434 public companies in five regions across eight sectors, the latest TCFD progress report published in October 2022 highlights the following practices:

➔ **disclosure of climate-related risks and opportunities (Strategy a) is greater than any other recommended disclosure:** just over 60% of companies reviewed included information on climate-related issues in their FY2021 reports (an increase of 19% compared to 2019);

➔ **reporting on risk management processes is below average but is improving regularly.** While companies increasingly disclose their climate-related risks and opportunities, the actions taken to manage those risks are being reported at a much slower pace. The level of risk management information for 2021 reporting was:

- ➔ 33% for the process of identifying and assessing climate-related risks;
- ➔ 34% for the climate risk management process;
- ➔ 37% for information on the processes integrated into overall risk management.

Despite the relatively low levels of disclosure for all three of these recommended disclosures, they have shown strong growth compared to the other recommended disclosures, ranging between 14 and 20 percentage points between 2019 and 2021.

➔ **Disclosure of the resilience of companies' strategies under different climate-related scenarios** *(Strategy c)* increased from 6% to 16% over the three-year period. The percentage of companies disclosing Strategy c) continues to be the lowest of all recommended disclosures, with companies highlighting issues related to carrying out climate-related scenario analyses, such as selecting relevant scenarios and identifying key elements and parameters.

➔ Although the majority of companies do not disclose information on specific scenarios, the working group notes that it is important for companies to include several scenarios when assessing their resilience to climate-related issues.

➔ Based on the report, only 20% of companies mentioned a scenario below 2°C in their FY21 report, only 9% of companies mentioned a 2°C scenario in 2021, and the review found even fewer references to scenarios with a trajectory exceeding 2°C, with only 3% and 4% of companies referencing 2°C to 3°C scenarios and greater than 3°C scenarios, respectively.

Information on governance remains the least disclosed. Among the companies reviewed, 29% of them disclosed information on board oversight of climate-related issues *(Governance a)* and 22% disclosed information on the role of management on climate issues *(Governance b)*.

TCFD Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the company's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.	Disclose how the company identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
a) Describe the Board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	a) Describe the company's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	b) Describe the company's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management.	c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.

APPENDIX 4
LEGAL INFORMATION ON RESOLUTIONS

HIERARCHY OF CORPORATE BODIES

The Motte decision, whose case law continues to apply, has established the general principle according to which, otherwise it risks being invalid, "[…] a public limited company is a company whose bodies are hierarchical and in which the administration is exercised by a Board elected by the general meeting; [...] **it is therefore not the responsibility of the general meeting to encroach on the prerogatives of the Board in matters of administration.".**

The powers of corporate bodies are described as follows in the law (excerpt from the HCJP report).

The Board of Directors "determines the company's business strategies and ensures that they are implemented, in accordance with its corporate interest, by considering the social, environmental, cultural and sporting issues of its business. It also takes into consideration, where applicable, the purpose of the company defined pursuant to Article 1835 of the French Civil Code. Subject to the powers expressly granted to shareholders' meetings and within the limits of the corporate purpose, it deals with any matter concerning the smooth running of the company and settles matters concerning it through its deliberations"[123].

The extraordinary general meeting is solely authorised to amend the articles of association[124], change the nationality of the company[125] and adopt certain special decisions, while **the ordinary general meeting** takes all decisions other than those 126 and meets at least once a year, on the basis of the management report produced by the Board of Directors, to deliberate and vote on all matters relating to the annual financial statements and, where applicable, the consolidated financial statements for the past financial year[127].

Chief Executive Officers are "vested with the broadest powers to act in all circumstances on behalf of the company. They exercise these powers within the limits of the corporate purpose and subject to those powers that the law expressly grants to shareholders' meetings and the Board of Directors[128]", the law specifying the possibility for the articles of association or the Board of Directors to limit their powers. This distribution of powers must be observed.

To apply the principle of the hierarchy of corporate bodies to climate resolutions, it is important to distinguish between those that are proposed by a Board of Directors and those that are requested by shareholders.

For example, regarding climate resolutions, the HCJP report concluded:

"the fact of requiring a board to include certain elements, for example specific objectives (in particular to ensure that they are in line with the Paris Agreement), in the strategy that it alone is responsible for deciding, or forcing it, via an amendment to the articles of association, for example, to include clarifications, beyond the legal requirements, in the management report (e.g. the use of certain given standards), could probably characterise such an encroachment on its own powers allowing issuers to refuse the inclusion of such resolutions. The same would apply to a resolution aimed at requiring a Board of Directors

123 Article L.225-35 paragraph 1 of the French Commercial Code

124 Article L. 225-96 of the French Commercial Code

125 Article L.225-97 of the French Commercial Code

126 Article L.225-98 of the French Commercial Code

127 Article L.225-100 of the French Commercial Code

128 Article L.225-56 of the French Commercial Code

to table a Say on Climate resolution each year given the mandatory rules governing the authority to set the agenda (...), **however, it does not seem possible to consider a simple request to add to the agenda an advisory vote on the plan approved by a Board of Directors (or Say on Climate) as undermining the principle of the hierarchy of corporate bodies.** Such a request would not legally impose any change in a Board's strategy and would therefore not disrupt the legal distribution of powers."

On the consequences of unjustified refusal by the issuer, the HCJP report notes: "Under French law, resolutions requested by shareholders that meet the required conditions, and in accordance with the procedures provided for by the regulations, must be included in principle. Any unjustified refusal, and therefore in particular when the request does not contravene a principle of company law, to include on a meeting agenda a draft resolution issued by shareholders meeting the required conditions is expressly penalised by invalidating the decisions taken by that meeting, this invalidation being at the judge's discretion. The French commercial court can therefore already (even though investors in France rarely resort to a judge today) play the role of filter for shareholders who may (as applicable through shareholder associations) ask it to assess the merits of a company's refusal of their request and, as applicable, to order it to include their resolution on the agenda."

Shareholders have the right to propose at a meeting **amendments** to the resolutions presented or, exceptionally, new resolutions, of which there may be two kinds:

- **the removal in all circumstances of one or more directors or members of the Supervisory Board with the possibility of replacing them** (Articles L. 225-105 paragraph 3 and L. 225-121 paragraph 1 of the French Commercial Code). As a result, even if the agenda does not mention this removal, the meeting may decide on it and replace the director removed by voting on a new resolution tabled at the meeting for this purpose;

- **matters that are the natural consequence of or a necessary prerequisite for the resolutions already on the agenda.**

CONDITIONS FOR TABLING ITEMS OR DRAFT RESOLUTIONS

The following may request the inclusion of items or draft resolutions on the agenda:

- one or more shareholders representing at least 5% of the capital (Article L. 225-105, paragraph 2 of the French Commercial Code). This percentage is based on a sliding scale depending on the company's capital (Article R. 225-71, paragraph 2);

- a shareholder association meeting the conditions set out in Article L. 22-10-44: this article specifies that shareholders who have been registered for at least two years and who hold at least 5% of the voting right (this percentage is based on a sliding scale according to voting right classes) may group themselves into associations intended to represent their interests in the company.

- In companies with at least 50 employees, the Social and Economic Committee may also request the inclusion of draft resolutions on the agenda, excluding items (Article L. 2312-77, paragraph 2 of the French Labour Code).

In its recommendation, the AMF stresses that a broad view of an item on the agenda should be taken beyond the strict scope of the decision-making powers of the convened meeting. Thus, they may be attached to the corporate purpose, or the content of the documents sent to the meeting.

A Board may, however, refuse to include on the agenda items that are unrelated to the corporate purpose, which would lead to a breach of business secrecy, or which are vexatious or defamatory in nature.

An item presented in the form of a request for a decision by the meeting may therefore not be included.

A vote may only be taken on a draft resolution included on the agenda. With regard to items, they may not under any circumstances give rise to a vote.

Items and draft resolutions are to be included on the agenda (Article R. 225-74). The meeting may not deliberate on a draft resolution that is not included on the agenda (Article L. 225-105, para. 3).

These items or draft resolutions are brought to the attention of shareholders under the conditions set out below (Article L. 225-105):

- a distinction is made between the **request to include an item** on the agenda, which must be justified, and the **request to include draft resolutions** which is to be accompanied by the text of the draft resolutions (Article R. 225-71); the latter, as recommended by the AMF in its recommendation, are to be accompanied by a statement of reasons which should not constitute a simple reformulation in non-legal terms of a draft resolution but should present in a faithful, informative manner and in simple, clear and understandable terms the meaning, reasons, issues and scope of the draft resolution in question in order to inform the shareholders' vote;

- a company must immediately publish on its website the text of the draft resolutions presented by the shareholders and/or the social and economic committee as well as the list of items added to the agenda by the shareholders. For each item on the agenda, a company may also publish a comment from its Board of Directors or Executive Board, as the case may be (Article R. 22-10-23).

APPENDIX 5

TABLE PRESENTING THE CONTENT OF EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)

Published on 31 July 2023 by the European Commission as an Annex to the Delegated Act supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards as amended by the Corporate Sustainability Reporting Directive (CSRD - 2022/24642).[129] - Selected excerpts on governance and climate

Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies	
ESRS 2	**19. The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.**
	20. The objective of this Disclosure Requirement is to provide an understanding of: **a.** **the composition and diversity** of the administrative, management and supervisory bodies; **b.** **the roles and responsibilities** of the administrative, management and supervisory bodies in exercising oversight of the process to manage material impacts, risks and opportunities, including management's role in these processes; and **c.** **the expertise and skills** of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills.
	22. The undertaking shall disclose the following information about the **roles and responsibilities** of the administrative, management and supervisory bodies: **a.** the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual within a body responsible for oversight of impacts, risks and opportunities; **b.** how each body's or individual's responsibilities for impacts, risks and opportunities are reflected in the undertaking's terms of reference, board mandates and other related policies; **c.** a description of management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities, including: → whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee; → information about the reporting lines to the administrative, management and supervisory bodies; → whether dedicated controls and procedures are applied to the management of impacts, risks and opportunities and, if so, how they are integrated with other internal functions; **d.** how the administrative, management and supervisory bodies and senior executive management oversee the setting of targets related to material impacts, risks and opportunities, and how they monitor progress towards them.
	23. The disclosure shall include a description of how the administrative, management and supervisory bodies determine whether appropriate **skills and expertise** are available or will be developed to oversee **sustainability matters**, including: **a.** **the sustainability-related expertise** that the bodies, as a whole, either **directly possess or can leverage**, for example through access to experts or training; and **b.** how those skills and expertise relate to the undertaking's material impacts, risks and opportunities.

129 European Sustainability Reporting Standards - first set of standards (europa.eu)

ESRS 2 AR	AR 3. In **describing the role and responsibilities** of the administrative, management and supervisory bodies with regard to sustainability matters, the undertaking may specify: **a.** the aspects of sustainability **over which oversight is exercised** with regard to the environmental, social and governance matters the undertaking may be facing, including: → any assessment of and changes to sustainability-related aspects of the undertaking's strategy and business model; → the identification and assessment of material risks, opportunities and impacts; → related policies and targets, action plans and dedicated resources; and sustainability reporting; **b.** **the form such oversight takes** for each of the above aspects: i.e., information, consultation or decision-making; and **c.** **the way such oversight is organised and formalised**, i.e., processes by which the administrative, management and supervisory bodies engage with these aspects of sustainability.
	AR 4. In describing the undertaking's organisation of governance regarding sustainability matters, a **description of complex governance structure** may be complemented by their presentation in the form of a diagram.
	AR 5. The **description of the level of expertise** or access to expertise of the administrative, management and supervisory bodies may be substantiated by illustrating the composition of the bodies, including members on whom these bodies rely for expertise to oversee sustainability matters, and how they leverage that expertise as a body. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material impacts, risks and opportunities and whether the bodies and/or its members have access to **other sources of expertise**, such as **specific experts and training and other educational initiatives** to update and develop sustainability-related expertise within these bodies.

Disclosure Requirement GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	
ESRS 2	24. The undertaking shall disclose how the administrative, management and supervisory bodies are **informed about sustainability matters** and how these matters were addressed during the reporting period.
	25. The objective of this Disclosure Requirement is to provide an understanding of **how administrative, management and supervisory bodies are informed about sustainability matters**, as well as what information and matters they addressed during the reporting period. This in turn allows an understanding of whether the members of these bodies were adequately informed and whether they were able to fulfil their roles.
	26. The undertaking shall disclose the following information: a. **whether, by whom and how frequently** the administrative, management and supervisory bodies, including their relevant committees, **are informed about material impacts, risks and opportunities** (see Disclosure Requirement IRO–1 - Description of the processes to identify and assess material impacts, risks and opportunities of this Standard), the implementation of due diligence, and the results and effectiveness of policies, actions, metrics and targets adopted to address them; b. how the administrative, management and supervisory bodies **consider impacts, risks and opportunities when overseeing the undertaking's strategy**, its decisions on major transactions, and its risk management process, including whether they have considered trade-offs associated with those impacts, risks and opportunities; and c. **a list of the material impacts, risks and opportunities addressed** by the administrative, management and supervisory bodies, or their relevant committees during the reporting period.
ESRS 2 AR	AR 6. Depending on the undertaking's structure, **the administrative, management and supervisory bodies** may focus on **overarching targets**, while **management** focuses on the **more detailed targets**. In this case, the undertaking may disclose how the governance bodies ensure that an appropriate mechanism for performance monitoring is in place.
Disclosure Requirement GOV-3 – Integration of sustainability-related performance in incentive schemes	
ESRS 2	27. The undertaking shall disclose information about the integration of its sustainability-related performance in incentive schemes.
	28. The objective of this Disclosure Requirement is to provide an understanding of whether **incentive schemes are offered** to members of the administrative, management and supervisory bodies **that are linked to sustainability matters**.
	29. The undertaking shall disclose the following information about the **incentive schemes and remuneration policies linked to sustainability matters** for members of the undertaking's administrative, management and supervisory bodies, where they exist: a. **a description of the key characteristics** of the incentive schemes; b. whether performance is being assessed against **specific** sustainability-related **targets and/or impacts**, and if so, which ones; c. **whether and how** sustainability-related **performance metrics are considered** as performance benchmarks or included in remuneration policies; d. **the proportion of variable remuneration** dependent on sustainability-related targets and/or impacts; e. **the level in the undertaking** at which the terms of incentive schemes are approved and updated.
ESRS 2 AR	AR 7. For listed undertakings, this Disclosure Requirement should be consistent with the remuneration report prescribed in articles 9a and 9b of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. Subject to the provisions of ESRS 1, paragraphs 119, 120 and 122, a listed undertaking may make a reference to its remuneration report.

ESRS E1 / Disclosure requirement related to ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes	
ESRS E1	13. The undertaking shall disclose **whether and how climate-related considerations are factored into the remuneration** of members of the administrative, management and supervisory bodies, including if **their performance has been assessed against the GHG emission reduction targets** reported under Disclosure Requirement E1-4 and **the percentage of the remuneration recognised in the current period that is linked to climate related considerations**, with an explanation of what the climate considerations are.
Disclosure Requirement GOV-4 – Statement on due diligence	
ESRS 2	30. The undertaking shall disclose a mapping of the information provided in its sustainability statement about the due diligence process.
	31. The objective of this Disclosure Requirement is to facilitate an understanding of the undertaking's due diligence process with regard to sustainability matters.
Disclosure Requirement GOV–5 - Risk management and internal controls over sustainability reporting	
ESRS 2	34. The undertaking shall disclose **the main features of its risk management and internal control system** in relation to the sustainability reporting process.
	35. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's risk management and internal control processes in relation to sustainability reporting.
	36. The undertaking shall disclose the following information: a. the scope, main features and components of the risk management and internal control processes and systems in relation to sustainability reporting; b. the risk assessment approach followed, including the risk prioritisation methodology; c. the main risks identified and their mitigation strategies including related controls; d. a description of how the undertaking integrates the findings of its risk assessment and internal controls as regards the sustainability reporting process into relevant internal functions and processes; and e. a description of the periodic reporting of the findings referred to in point (d) to the administrative, management and supervisory bodies.
ESRS 2 AR	AR 11. This Disclosure Requirement **focuses solely on the internal control processes over the sustainability reporting process.** The undertaking may consider risks such as the completeness and integrity of the data, the accuracy of estimation results, the availability of upstream and/or downstream value chain data, and the timing of the availability of the information.

APPENDIX 6: SOURCES - REFERENCE PUBLICATIONS

FRENCH REFERENCE PUBLICATIONS

Governance codes	Reports/Studies	Voting policies	Doctrine
Afep-Medef code - pages 6, 12, and 22	ACPR-AMF - Monitoring and evaluation of the climate commitments made by Paris financial market participants	Amundi voting policy - pages 4, 6-8, and 10	Revue trimestrielle de droit commercial - Climate and Resilience Law: impact on company law
Middlenext code - page 27	ACPR - Governance of risks related to climate change in the insurance sector	BlackRock voting policy - pages 21-23	Bulletin Joly Bourse - CSR and climate issues in the 2022 Afep-Medef code
AFG - Recommendations on Corporate Governance - pages 5, 9 and 17	AMF - 2022 Report on corporate governance and executive compensation	Glass Lewis voting policy - pages 19 and 24	Bulletin Joly Bourse - Report on the monitoring and evaluation of the climate commitments made by Paris financial market participants
	FIR - Assessment of French Say on Climate 2022 (appendix)	ISS voting policy - pages 13, 17 and 30-31	Bulletin Joly Sociétés - Afep-Medef Code 2022
	FIR - How does the CAC 40 respond to investors? (appendix)	Proxinvest voting policy - pages 9, 24-25, 50-51, 65, 87-88 and 95	Bulletin Joly Sociétés - The impacts of the Climate and Resilience Law on company law
	HCGE - Report 2022 - pages 15-16		Bulletin Joly Sociétés - Taking CSR law seriously
	HCJP - Report on Say on Climate resolutions		Bulletin Joly Sociétés - CSR and environmental accounting
	HCJP - Report on companies' non-financial transparency mechanisms		Gazette du Palais - Rocher Report: French companies in the middle of the water
	HCJP - Report on the social and environmental responsibility of companies and their managers		La Semaine juridique Entreprises et affaires - Civil Liability of the Company and Executives for Climate Action
	IFA - Chapter Zero - Ethics & Boards - Remuneration Barometer: Climate & CEO remuneration policy		
	IFA - Board of Directors and corporate social responsibility		Recueil Dalloz - Brief overview of the CSRD Directive
	IFA - The role of the Board of Directors in taking climate issues into account		Recueil Dalloz - The recognition of climate responsibility

Governance codes	Reports/Studies	Voting policies	Doctrine
	OECD - Consultation draft: Targeted update of the OECD Guidelines for Multinational Enterprises and their Implementation Procedures		Revue Lamy Droit des affaires - Adaptation of the compensation rules for CAC 40 executives
	PRI - Climate transition voting plan: Investor Briefing		Recueil Dalloz - European company law goes green
	Rocher Report - Rethinking the place of companies in society: assessment and outlook two years after the Pacte law - page 45		Revue des sociétés - Review of general meetings 2022: Say on Climate
	CSR Legal Guide		Revue des sociétés - Middlenext Code 2021: tangible sustainable governance
	ADEME - Requirements relating to governance in ACT methodologies (Assessing low carbon transition)		Revue Lamy Droit des affaires - News concerning the non-financial reporting of investors
	ECB - Guide to climate and environmental risks		Revue des sociétés - The CSR directive 2: the new face of environmental and social reporting
	Senate - Report 'Making CSR an ambition and an asset for each company' (report and summary)		Revue des sociétés - The climate law and the company
			Revue des sociétés - CSR, the mask and the pen
			Revue des sociétés - The draft revision of the G20-OECD corporate governance principles incorporates sustainability
			Revue des sociétés - EFRAG's draft ESRS sustainability standards forego promoting stakeholder capitalism
			Revue des sociétés - Proposal for a directive on company due diligence
			Revue des sociétés - CSR, a new milestone has been reached

EUROPEAN AND INTERNATIONAL REFERENCE PUBLICATIONS

1. Governance within the board of directors			
	EU	**International doctrine**	**Innovative practices**
a. Command of the subject	chapterzero-france.com/ index.php/la-board-scorecard- par-chapter-zero-france/ climate-governance.org/ wp-content/uploads/2022/12/ CGI-CCLI-Quarterly-Update-3- Value-Chain-Due-Diligence.pdf	climate-governance.org/ wp-content/uploads/2022/07/ CCLI-CGI-Primer-2022.pdf www.weforum.org/ whitepapers/how-to-set-up-effective-climate-governance- on-corporate-boards-guiding-principles-and-questions www.icgn.org/icgn-glob- al-governance-principles www.icgn.org/view- point-board-oversight-sup- ply-chain-sustainability www.wbcsd.org/contentwbc/ download/10820/160014/1	Interviews www.sgxgroup.com/ media-centre/20220317-sgx-reg- co-announces-start-sustainability-training-company-directors blogs.law.columbia.edu/climat-echang e/2023/02/15/the-fi du -ciary-duty-of-directors-to-man-age-climate-risk-an-ex- pansion-of-corporate-lia- bility-through-litigation/
b. Board Structure	chapterzero-france.com/ wp-content/uploads/2022/04/ audit-committee-frontier.pdf	www.icgn.org/icgn-glob- al-governance-principles	Interviews Governance for Sustainability in largest global banks: 30 EU and N.A. Morrow Sodali - Jan 2023
c. Material risk and opportunity assessment	chapterzero.org.uk/ wp-content/uploads/2021/09/ QUESTIONS-TO-AS- SIST-NON-EXECUTIVE-DIREC- TOR-OVERSIGHT-OF-PHY-SICAL-CLIMATE-RISK-MA-NAGEMENT-vF.pdf www.lse.ac.uk/grantha-minstitute/wp-content/ uploads/2022/12/Climate-liti-gation-in-Europe_A-summary-report-for-the-EU-Forum-of-Judges-for-the-Environment.pdf www.clientearth.org/latest/ latest-updates/n ews/we-ve-is- sued-legal-warnings-to-nestle- danone-and-others-over-plastic/ www.theguardian.com/ business/2023/feb/27/ climate-campaigners-sue-bnp- paribas-over-fossil-fuel-finance www.clientearth.org/ latest/latest-updates/n ews/ we-re-taking-legal-action- against-shell-s-board-for-mismanaging-climate-risk/	climate-governance.org/ wp-content/uploads/2022/07/ CCLI-CGI-Primer-2022.pdf www.oecd.org/corporate/ public-consultation-re- view-G20-OECD-principles-cor- porate-governance.pdf carbontracker.org/reports/ managing-peak-oil/ How Climate Change May Impact Operational & Reputational Risks Michael Grimwade ICBC STANDARD BANK climate-governance.org/ wp-content/uploads/2022/06/ CGI-CCLI-Quarterly-Up- date-1-Climate-Change-Li- tigation.pdf	Interviews

2. Governance in relation to shareholders			
	EU	**International doctrine**	**Innovative practices**
a. Climate-based incentives	chapterzero-france.com/ wp-content/uploads/2022/11/ BAROMETRE-2022_Remune-ration_Climat-IFA_Chap- ter-Zero-France_EB.pdf	www.pwc.co.uk/human-re- source-services/pdf/ paying-for-net-zero-using- incentives-to-create-accoun- tability-for-climate-goals.pdf journals.sagepub.com/doi/ full/10.1177/00081256221077470 www.wtwco.com/-/media/ WTW/Insights/2021/11/ executive-compensation-guide- book-for-climate-transition. pdf?modified=20211117190823	Interviews Chapter Zero France: summary of webinar 2022-12-02
b. Say on Climate	www.frenchsif.org/isr_esg/ tribune-du-fir-en-faveur-de- la-generalisation-de-say- on-climate-exigeants/ www.lesechos.fr/finance-marches/marches-financiers/ la-finance-jouera-pleinement- son-role-au-service-de-la-decar-bonation-de-leconomie-1911281	www.sayonclimate.org Squarewell Say-on-Climate December 2022 corpgov.law.harvard. edu/2022/03/18/the-eu-sustain-able-corporate-governance-initiative-where-are-we-and-where-are-we-headed/	Interviews
c. Exchange - Engagement		www.unpri.org/stewardship/ climate-transition-plan-votes-investor-update/10815.article theshareholdercommons.com/ wp-content/uploads/2021/09/ Freshfields-report-memo.pdf www.majorityaction.us/ climate-in-the-boardroom-2022	Interviews www.theguardian.com/ business/2023/feb/03/ worlds-biggest-investment- fund-warns-directors-to- tackle-climate-crisis-or- face-sack?CMP=Share_ iOSApp_Other
d. Shareholder resolutions	www.clientearth.org/media/ bovm4flz/know-your-rights-a-guide-for-institutional-investors- to-the-law-on-climate-related-shareholder-resolutions-final.pdf	shareaction.org/reports/ voting-matters-2022/ recommendations	Interviews reenergizexom.com/materials/ letter-to-the-board-of- directors-february-22

3. Reporting and disclosure			
	EU	**International doctrine**	**Innovative practices**
a. Climate-related risks reporting and disclosure	CSRD ec.europa.eu/finance/docs/ law/221219-draft-commis- sion-notice-disclosures-de- legated-act-article-8.pdf www.esma.europa.eu/sites/ default/files/library/esma32- 63-1320_esma_statement_on_ european_common_enfor- cement_priorities_for_2022_ annual_reports.pdf	www.fsb-tcfd.org/ recommendations/#core-rec- ommendations www.icgn.org/sites/default/ fi l es/2021 - 06/Integrated%20 Business%20Reporting_0.pdf capitalmonitor.ai/ institution/government/ us-sec-climate-disclosure- plan-game-changer/ newclimate.org/sites/default/ fi l es/2023-02/N ewClimate_ CorporateClimateResponsi- bilityMonitor2023_Feb23.pdf ISSB www.edie.net/issb-to- launch-first-two-sustain- ability-standards-by-june/	Interviews www.grantthornton.co.uk/ insights/climate-change-plan- ning-for-mandato- ry-tcfd- reporting/ www.admin.ch/gov/en/start/ documentation/media-re- leases.msg-id-91859.html www.admin.ch/gov/en/start/ documentation/media-re- leases/media-releases-fede- ral-council.msg-id-89524.html
b. Net zero plan and delivery disclosure (incl. misleading communication on products/servi ces)	CSRD CSDDD www.europarl.europa. eu/legislative-train/ theme-an-economy-that- works-for-people/file-legislative-proposal-on-sustainable-corporate-governance accountancyeurope.eu/tag/ corporate-governance/ op.europa.eu/en/ publication-detail/-/ publication/e47928a2-d20b- 11ea-adf7-01aa75ed71a1/ language-en	www.iigcc.org/resource/net-ze- ro-investment-framework-im- plementation-guide/ www.un.org/sites/un2. un.org/files/high-levelex- pertgroupupdate7.pdf newclimate.org/sites/default/ fi l es/2023-02/N ewClimate_ CorporateClimateResponsibi- lityMonitor2023_Feb23.pdf cdn.cdp.net/cdp-pro- duction/cms/reports/ documents/000/006/843/ original/CDP_Europe_Report_ AW_16_02_23.pdf?1676543945 www.opendemocracy. net/en/pr-firm-brunswick- bp-big-oil-greenwash- climate-disinformation/	Interviews www.esgtoday.co m/ uk-to-take-more-permissive- approach-to-competition- law-for-agreements-the- combat-climate-change/ www.euronews.com/ green/2023/03/01/ lufthansa-uk-bans-german- airlines-green-adverts-for- misleading-consumers www.esgtoday.co m/ government-of-canada- to-require-suppliers-to- disclose-emissions-set- ghg-reduction-targets/ www.globalwitness.org/en/ campaigns/greenwashing/ fossil-fuel-greenwash-since- launch-of-green-claims-code/

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