

Implementing decree “29-LEC” Biodiversity-related disclosures

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Context



- **March 2018 : European Commission's Plan on Sustainable Finance**
- **November 2019: Sustainable Finance Disclosures Regulation (« SFDR »)**
 - Influenced by the French "173-VI" framework
 - Incorporates the principle of double materiality: risks and impacts at the entity and the product levels
 - **Allows for more ambitious measures at the national level**



- **2015: regulatory sustainability reporting initiative for financial and non-financial market participants (Article 173)**
- **2019: Article 29 of the energy-climate law ("LEC", in FR)**
 - Supplements the provisions of Art. 173-VI; also applies only to financial market actors.
 - Takes into account European regulatory developments ("SFDR" regulation)
- **2021: publication of the "29-LEC" decree**
 - Methodological clarifications and harmonization of indicators
 - "TCFD" structure
 - Thematic scope enlarged: biodiversity

29-LEC: scope (entities & products covered)

✓ Entity level:

- ✓ Portfolio management companies :
 - ✓ Own UCITS and AIFs -including (now) real estate funds
 - On behalf of third parties
 - Investment advice
- ✓ Insurance and reinsurance companies
- ✓ Credit institutions and investment companies for their portfolio management activities (only)
- ✓ « Caisse des Dépôts et Consignations » (« *deposits and consignments fund* » → *French State investment arm*)
- ✓ Supplementary professional pension institutions
- ✓ Supplementary health insurance companies
- ✓ Provident institutions and their unions

✓ Product level:

- **Several disclosure requirements also apply to financial products (UCI) >500€m**

Key provisions of Decree "29-LEC"

- **Risk management**
 - Climate: physical / transitional
 - Biodiversity: impacts and dependencies
- **Portfolio alignment**
 - Climate: Paris Agreement
 - Biodiversity: Long-term biodiversity targets

Biodiversity-related disclosures

“Alignment strategy with long-term biodiversity objectives”

- **Assessing compliance/alignment with the Convention on Biological Diversity objectives**
- **Analysis of the contribution to the reduction of the main pressures and impacts on biodiversity, as defined by the IPBES**
- **Mention the use of Biodiversity footprint indicator**

- **Value chain scope selected**
- **Targets set for 2030, and then every 5 years**

Biodiversity-related disclosures

« Biodiversity risks »

- **Main** risks (“material risks”)
- **Source** of risks :
 - **Impacts des investments**
 - **Dependencies of invested assets/activities**
- Primary source of risk:
 - **Industry sector**
 - **Geographic area**

Implementation schedule

Reporting in 2022 (on the FY2021)

- General approach of the entity
- Internal resources
- Governance
- Commitment/voting policy and its results
- **Alignment strategy with the Paris Agreement and biodiversity LT targets**
- **Integration of ESG risks into the conventional risk management system**



Reporting in 2023 (on FY2022)

- Reported elements from 2022
- "Green" shares (Taxonomy) and "Fossil fuels" shares (RTS - SFDR)
- **Climate and biodiversity risk management**
- **Improvement measures and corrective actions**