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Creation of an AMF Climate and Sustainable Finance Commission

The AMF's Climate and Sustainable Finance Commission, whose creation was announced on 2 July 2019, will bring together stakeholders on the subject of sustainable finance. Its role will be to assist the Authority in carrying out its regulatory and supervisory missions on issues related to sustainable finance. It will work closely with the Autorité de contrôle prudentiel et de résolution (ACPR). Focus on its mandate, composition and functioning.

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The regulator's commitment to sustainable finance

Energy transition and the emergence of sustainable finance are key issues for financial markets, financial stability and investor protection.

Through its reports on socially responsible investment in collective investment (SRI report) and on social, societal and environmental responsibility (CSR report) and its regular interactions with stakeholders on these subjects, the Autorité des marchés financiers (AMF) has progressively strengthened its commitment to sustainable finance. At the beginning of 2018, the Authority made it a major focus of its strategic plan, #Supervision2022, with the objective to reflect in all its missions and activities and detailed in the roadmap for sustainable finance published in November 2018. The PACTE law passed in spring 2019 also recognised this new responsibility, by defining a specific mission for the AMF, which is responsible for ensuring the quality of information provided by management companies on their investment strategy and risk management related to the effects of climate change. In addition, the European Commission's action plan published in March 2018 and the various related measures modify many existing EU legislations or create new obligations and incentives for market participants regulated by the AMF.

The regulator's objective is to change practice, increase transparency and facilitate the consideration of sustainability issues and the mobilization of capital for more sustainable activities.

Mobilise new fields of expertise and work collectively on these new challenges

Taking into account the effects of climate change and other environmental and social risks on economic models is a complex exercise and requires the mobilisation of multiple fields of expertise. It challenges existing models of analysis and the very foundations of how financial markets function. It affects corporate strategies and therefore requires a close dialogue between issuers and investors. It also affects the convictions and preferences of investors, both institutional and retail.

After a phase of growing awareness, it is now necessary to disseminate more widely, to advance/put forward methodologies and information available, to ensure that the conditions upon which trust is based are preserved, notably with regard to risks associated with greenwashing, and to assess their real effects, in particular in terms of reallocation of capital flows. It is also necessary to swiftly prepare for and anticipate the regulatory changes foreseen by the European Commission's Action Plan for Sustainable Finance.

In this context, the AMF announced on 2 July 2019 the creation of a Climate and Sustainable Finance Commission dedicated to these cross-cutting themes and bringing together stakeholders on the subject of sustainable finance. For matters of common interest, the AMF Commission will work closely with the Commission of the Autorité de contrôle prudentiel et de résolution (ACPR), the creation of which was announced on the same day. In particular, the two Commissions will collaborate for the implementation of the new mechanism set up for the independent monitoring and assessment of the climate-related commitments taken by institutions of the Paris marketplace. (1)

(1) These announcements were made as part of a collective communication from the French Ministry of Economy and Finance, the French supervisory authorities, and the French financial community.

New monitoring and evaluation mechanism for climate commitments

The monitoring mechanism presented on 2 July 2019 will be operated by the ACPR and the AMF, as part of their respective missions to supervise banks, insurance companies and asset management companies and to review the information published by issuers regarding their extra-financial performance.

In this context, the AMF will ensure that the information contained in the documentation provided to the markets by issuers and to investors for asset management companies regarding climate-related policies and commitments adopted by these entities is of quality. In particular, this documentation includes the extra-financial performance reports appended to the management report and, where applicable, to the registration documents, where publication of these declarations is required. The AMF will also provide a pivotal link with the work carried out within the networks of market regulators for sustainable finance established at European (ESMA) and international (IOSCO) level.

The ACPR will regularly monitor and evaluate the commitments made by banks and insurers and will ensure that these commitments are consistent with the institutions' strategic guidelines. It will also liaise with the work carried out as part of the Network of central banks and supervisors for the Greening of the Financial System (NGFS).

The ACPR and the AMF will also publish an annual report on work carried out, providing coverage of the climate-related commitments made by financial institutions of the French marketplace and how they will be effectively implemented. The authorities' annual report will also make recommendations on how to improve the monitoring of the the market place

participants' commitments and on ways to develop the tools and regulatory framework to promote the development of sustainable finance.

Mandate and work of the Climate and Sustainable Finance Commission of the AMF

The role of the AMF's Climate and Sustainable Finance Commission will be to assist the AMF to carry out its regulatory and supervisory tasks on issues related to sustainable finance. The Commission will also provide a forum for dialogue and work with the aim of contributing to the effective mobilisation of the financial sector in the face of climate risk and contributing to making sustainable finance a practice with a significant impact on the process of allocating capital to a sustainable economy. The Commission's work must not duplicate work done in other marketplace fora or for the climate.

To this end, the Commission will be responsible in particular for:

- contributing to the work carried out by the AMF in collaboration with the ACPR on the monitoring and evaluation of the climate commitments of financial institutions, and in particular to the development of methods for measuring and reporting commitments in order to ensure their comparability and monitoring over time, and participate, with the ACPR Commission, in the preparation of the authorities' annual report;
- contributing to the development of methodologies for the review of non-financial information by the AMF and to the promotion of good practice in terms of communication and transparency;
- providing technical expertise and insight into market and practice developments (including climate and other ESG risk management and non-financial information), as well as ESG-related innovations and emerging issues;
- confronting the views of the various stakeholders on the financial sector's response to climate risk and, more generally, the contribution of finance to environmental, social and societal issues and sustainable development, thus providing coordinated responses and guidance to the AMF Board and, where appropriate, to public authorities;
- contributing to work related to the development of national or European regulations within the AMF's remit, as well as to international discussions in this field, and assisting in the implementation of the texts;
- providing opinions on draft AMF reports or guides related to sustainable finance, draft regulatory texts for which the AMF is responsible or on which the Board's opinion is

sought and proposals for changes in AMF doctrine on the subject (positions, recommendations).

Composition and functioning of the Commission

The Climate and Sustainable Finance Commission will be chaired by a member of the AMF Board.

It is intended to meet on a monthly basis.

Its members will reflect the different components of the financial markets (issuers, asset managers, institutional investors, corporate and investment banking, rating agencies, data providers), civil society and academia.

In determining the composition of the Commission, the AMF will ensure a high level of expertise in the fields of climate risk and sustainable finance as well as balance in the skills and profiles selected. In particular, skills in the following areas will be sought: analysis of the interaction between climate risk, environmental, social or governance risks and financial assets, industrial policies related to climate change and low-carbon strategies, financial and non-financial reporting, sustainable or socially responsible investment, green and sustainable financial products, low-carbon and ESG indices, rating and non-financial research, impact measurement of investment policies.

Members will be appointed *intuitu personae* by the AMF Board for a renewable three-year term. They will commit to an active presence and personal contribution in order to contribute to the collective work, which may involve crucial preparatory and follow-up work. Members of the Commission may also act as "rapporteurs" if necessary.

The Commission may establish dedicated working groups, chaired by a member of the Commission, which may call upon experts from outside the membership of the Commission, if necessary, to conduct work on the themes selected. This work may result in publications that may be taken up, if appropriate, by the AMF. The Commission may invite external experts to participate in its meetings when it deems it useful. The Commission may also, if necessary, alert the AMF Board to issues of concern related to its field of analysis.

A charter governing the Commission's governance and operating rules will be established before the work begins. This charter shall in particular lay down the rules governing the adoption of opinions or conclusions, attendance, conflicts of interest, confidentiality and the personal contribution of members. The members of the Commission will not be remunerated.

The Climate and Sustainable Finance Commission will be chaired by Thierry Philipponnat, an AMF Board member. The AMF will publish the list of the Commission's members in September 2019.

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