The AMF publishes two analyses of the information provided by listed companies under Taxonomy reporting and concerning the effects of climate risk in financial statements

This new AMF publication focusing on the new Taxonomy reporting obligations is part of the AMF's ongoing commitment to sustainable finance to change practices, increase transparency and facilitate the consideration of sustainability issues as well as the mobilization of capital for more sustainable activities. The AMF analysed the first taxonomy reportings of a sample group of listed companies and presents excerpts of published information illustrating how they communicated on the various subjects. It also presents an overview of the information provided in the 2021 financial statements concerning the effects of climate change and the commitments made, likewise with numerous illustrations.

The first study is devoted to an analysis of the information published by 27 non-financial and financial companies in the context of the first application of the new reporting obligations arising from Article 8 of the European Taxonomy Regulation.

The Taxonomy Regulation is a common classification system for the European Union making it possible to identify economic activities considered as "sustainable" from an environmental point of view. After drawing up a list of eligible activities, i.e. activities likely to have a substantial contribution to the EU environmental objectives, it defines the criteria for
assessing their substantial contribution to at least one of the environmental objectives, without harming the other objectives and while complying with social minimum safeguards. When the criteria are met, the eligible activities are considered to be aligned with the European Taxonomy. This regulation also includes specific reporting obligations for certain non-financial and financial companies. For this first year, the reporting obligations concerned only the taxonomy eligibility of their activities. This is an essential step in moving towards alignment reporting.

**Observations concerning the first Taxonomy reporting**

The regulator points out the following main observations:

— nearly all the companies in the sample published the eligibility indicators required by the European Regulation for their non-financial information statement (NFIS). For non-financial companies, for example, this means the turnover from eligible activities, and eligible capital expenditures and operating expenditures;

— while the great majority of companies in the sample group provided contextual information together with their indicators, this information and its granularity remain uneven on the whole – de facto limiting the comparability of the disclosed information;

— in a context of lack of regulatory precision, methodological issues relating to interpretation of the legislation or questions of data availability may have led the companies to exercise their judgment in applying the legislation;

— in addition to the regulatory indicators, some companies chose to publish other indicators than those stipulated by the taxonomy to reflect in their communications their own analyses. The AMF reiterates that this practice, although authorised, is regulated in the same way as for alternative financial performance measures.

**Climate risk and financial statements**

The second report is an overview of information provided by companies regarding the financial effects of climate change. It makes a new assessment of the inclusion of the effects of climate change in financial statements with some illustrations of current practices by analysing the same sample of companies as for the Taxonomy report. For this purpose, it analyses the consistency of the information presented in the other parts of the regulated information (including the NFIS) with that appearing in the financial statements. It also analyses more specifically how the effects of climate change and the climate transition of the issuers are taken into consideration in their valuations and impairment tests.
The AMF notes that the issuers have improved the quality of information, with an increased amount of information provided, even though it is still heterogeneous and succinct in most cases. For example, the entire sample announced climate commitments to the market and almost half announced a commitment to carbon neutrality by 2050. However, the operational and financial translation of these commitments in the financial statements is not always clear and detailed. Likewise, the assumptions used by the companies in their impairment tests are still seldom disclosed.

This report supplements the recommendations of the AMF and ESMA for the 2022 year-end financial statements which cover, in particular, the financial impacts of exposure to climate risks and to the commitments made against global warming.

**The AMF is mobilised**

With the publication of these two reports, the AMF wants to encourage companies to continue their efforts to respond to investors’ demand for quality information regarding taxonomy, the effects of climate change as well as the commitments made in financial statements. It supports the continuation of European work to clarify the texts to prevent divergent interpretations and non-homogeneous application of the European Taxonomy Regulation in the perspective of the next steps and to promote the achievement of the European Union’s objectives. The AMF will continue its actions to accompany companies in understanding, ensuring the implementation of the texts and ensuring that investors are properly informed.

**About the AMF**

*The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website [https://www.amf-france.org](https://www.amf-france.org)*

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