INFORMATION TO EMPLOYEES IN FRENCH M&A: RELAXATION OF REQUIREMENTS

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French M&A transactions may require one of two employee-related procedures before the seller can enter into a binding sale agreement: direct information to employees under the so-called *Hamon Law*, or information and consultation of the target's work council (*comité social et économique*, or CSE). Neither route gives employees or the CSE a veto, but the applicable process must be anticipated at the outset and built into the transaction timetable.[1][2]

A recent law No. 2026-403 of 26 May 2026, applicable to sales concluded on or after 27 July 2026, has relaxed the regime.

Key takeaways:

1. In companies with a CSE employing at least 50 employees, **the direct information to employees was purely suppressed**.
2. Where direct employee information remains required, the **minimum wait period has been reduced from 2 months to 1 month**.
3. The **maximum fine** for lack of information **has been reduced from 2% to 0.5% of the sale price**.

Although unfamiliar to many non-French investors, this additional procedural step in French M&A needs to be scoped early and documented carefully.[2]

1. Pre-reform regime

In case of a sale of a *fonds de commerce* (a business operated as a going concern, comprising a bundle of tangible and intangible business assets and rights and necessarily including its customer base, but generally excluding the seller's liabilities) or a sale of more than 50% of the equity interests in a French private limited liability company (*société à responsabilité limitée* / SARL), or shares or securities giving access to a majority of the capital of a French company limited by shares (*société par actions*, i.e. an SAS, SA or SCA), the pre-reform regime imposed on French companies with less than 250 employees (regardless of whether they have a CSE) and with a maximum turnover of EUR 50 million per year or a maximum balance sheet amount of EUR 43 million the obligation to inform their employees.

The process had to be completed:

(i) at least 2 months before signing of binding agreement for companies with less than 50 employees, and

(ii) at the latest at the same time as the first convening of the CSE on the proposed sale for companies with at least 50 employees. Failure to comply could give rise to damages and, at the public prosecutor's request, a civil fine of up to 2% of the sale price.

2. Post-reform regime

Companies with a CSE exercising full statutory powers **are no longer required to carry out individual employee information in parallel with the CSE information and consultation process**. However, a company required to have such a CSE but lacking one, including where a formal *procès-verbal de carence* records the absence of elected representatives, falls back into the direct information route.[2][3][4]. Where employee information is still required, wait period is 1 month before signing a binding agreement.

TARGET / CSE STATUS	REQUIRED STEP	EARLIEST SIGNING
No obligation to have a CSE with full statutory powers (principally < 50 employees)	Direct notice to every employee	**At least 1 month before signing**
Full-powers CSE required but not in place, including a formal procès-verbal de carence	Direct notice to every employee	**At least 1 month before signing**
Full-powers CSE required and in place (generally 50+ employees)	Inform and consult the CSE; no separate individual Hamon notice	**Before signing**

3. Information Content and Evidence

The regime is limited to transactions legally characterised as sales; it does not generally extend to other transfer techniques and there are some express exceptions such as family sale, pre-insolvency and insolvency proceedings.[3][4]

The direct notice is deliberately limited: employees must be told that a sale is contemplated and that they may submit an offer. The buyer's identity, the proposed price, the SPA terms and detailed financial or strategic information need not be disclosed. Employees are subject to a duty of discretion.[3][4]

Notice may be delivered by any method establishing a certain receipt date. In practice, accepted methods include a meeting with a signed attendance register, posting with signed acknowledgements, certified email, hand delivery against receipt, registered letter with acknowledgement of receipt, or service by a judicial officer (*commissaire de justice*).[5]

4. Transaction Mechanics: Signing, Waivers and CSE Consultation

For direct employee information, the one-month period is measured by reference to the date on which the binding sale contract is entered into, not completion or the subsequent transfer of title. Earlier signing is possible only if every employee has confirmed that they will not submit an offer. Those waivers should be written, transaction-specific and obtained after the notice has been given.[3][4][6]

5. Consequences of Non-Compliance

A breach of the direct employee information does not automatically invalidate the sale. Where a liability action is brought, the court may, at the public prosecutor's request, impose a civil fine of up to 0.5% of the sale price, in addition to potential civil liability.[2][3][4][7][8]

Overall, the reform should make French M&A transactions easier to execute and their timetables more predictable.

PRACTICAL DEAL SEQUENCE

1 SCOPE	2 ROUTE	3 PROCESSES	4 CLEARANCE	5 SIGNING
Confirm the transaction type, headcount and full-powers CSE status at term-sheet stage.	Choose direct employee notice or CSE consultation and build it into the timetable.	Deliver traceable notices or launch the CSE consultation with complete information.	Wait one month or collect waivers; alternatively, complete the CSE consultation.	Enter into the binding sale agreement only once the applicable process permits it.

REFERENCES

[1] Law No. 2014-856 of 31 July 2014 — original Hamon Law.

[2] Law No. 2026-403 of 26 May 2026, Art. 22 — 2026 simplification reform.

[3] French Commercial Code, Arts L. 141-23 to L. 141-28 — business sales.

[4] French Commercial Code, Arts L. 23-10-1 to L. 23-10-12 — majority share sales.

[5] French Commercial Code, Arts D. 141-3 et seq. and D. 23-10-1 et seq. — evidence and permitted notice methods.

[6] French Commercial Code, Art. D. 23-10-1 and Conseil d'Etat, 8 July 2016, No. 386792 — the sale date is the date the contract is concluded.

[7] French Labour Code, Arts L. 2312-8 and L. 2317-1 — CSE consultation and obstruction risk.

[8] Constitutional Council, Decision No. 2015-476 QPC, 17 July 2015 — annulment sanction held unconstitutional.