

# COMPONENT 1

## CLIMATE POLICY



### Climate change

The fight against climate change, which results from the increase in the concentration of greenhouse gases (GHG) in the atmosphere, is recognised by our societies as one of the major challenges of this century. The Paris Agreement

signed at the COP21 in 2015 is evidence of a growing global dynamic that prioritises the accelerated development of concrete solutions to address these threats. The Paris Agreement established the principles of a new international framework and **a high level of ambition in the short and long term: to limit global warming to a level well below 2°C, preferably 1.5°C, compared to pre-industrial levels.**

Energy use (including industry) was responsible for 69% of global GHG emissions<sup>1</sup> in 2020. While energy is a major source of emissions, it is also an essential part of the solution. The transition undertaken by the energy sector is the primary response to the climate issue.

Aware of these challenges, the Group is actively involved in the fight against climate change and supports the Paris Agreement. Climate change is at the heart of its transformation strategy: ENGIE is committed to significantly reducing its emissions, **in particular through the development of activities that contribute to the energy transition, in consultation with and with respect for local partners, and by implementing climate change resilience measures.** The Group has set itself ambitious emission reduction targets, in the medium term (2030) and long term (2045), for its direct and indirect emissions. In February 2023, ENGIE obtained the SBT certification, validating the conformity of its projected development for 2030 with a «well below 2°C» trajectory compatible with the Paris Agreement. The Group has also committed to be Net Zero Carbon for all its direct and indirect emissions (scope 1, 2 and 3) by 2045.

**This determined commitment to reduce our emissions by 2030 is a step towards longer-term neutrality:** neutrality that we are looking at both in our own operations, in the behaviour of employees and our value chain, and in supporting the decarbonisation of our customers.

Action against climate change is part of our broader policy response to environmental challenges, and interacts with our actions to protect biodiversity.

For the Group, it is also a question of supporting its customers and suppliers in reducing their emissions by proposing appropriate solutions. The reduction of GHG emissions is also an opportunity for the Group to conquer new markets and to enhance the value of some of its actions and investments that are in line with the reduction of emissions.

The Group has also developed expertise in offsetting, which enables it to consider a process for neutralizing residual emissions that it would no longer be able to reduce and to offer compensation solutions to its customers.

Finally, climate change is a central issue for ENGIE insofar as its supply chains, infrastructures and activities will be affected by the consequences of climate change. Climate events (droughts, fires, storms, extreme rainfall and floods, etc.) are likely to increase, while more gradual changes (rise in temperature, sea level, ocean acidification, etc.) alter the environment in which economic players operate. The Group is mobilised to adapt to climate change by strengthening the resilience of its infrastructures and services and by mobilising its innovation capacities.

In short, ENGIE's determination to combat climate change is concretely reflected in its relationship with its stakeholders at all levels, whether it is a matter of first convincing its customers and suppliers of the need to decarbonize, then helping them by proposing appropriate solutions, or promoting all the measures likely to accelerate the energy transition to a carbon-neutral society in its lobbying actions.

### Our approach to reducing emissions

- **Monitoring, anticipating, informing and preparing the Group for national and international regulatory evolutions related to climate change.** Involvement in and support to international negotiations through membership and voluntary support for initiatives such as Caring for Climate (UNGC) or the Task Force on Climate related Financial Disclosures (TCFD).
- **Establishing an internal carbon price:** since 2015 we have implemented an internal carbon price, which has facilitated the divestment of coal activities. Supporting initiatives to develop carbon prices (Carbon Pricing Leadership Coalition, WEF Climate Leaders, Strengthening ETS for a better price signal, Quinet Commission in France...).

<sup>1</sup> Breakdown of GHG emissions by sector of activity: Energy (46%), Residential, tertiary and agriculture (11%), Industry (24%), Transport (20%).  
Source : Enerdata.

- **Developing and disseminating common language on the topic.**
- **Participating in commitment dynamics through institutions/associations Business.**
- **Developing renewable energies, promoting the most efficient technologies (energy efficiency, condensation boilers, heat pumps, etc.).**
- **Supporting R&D and innovation within the Group.**
  - **Defining targets and proposing action plans to put us on a decarbonisation trajectory in line with the Paris Agreement.**
- **Strengthen the transparency of reporting on the evolution of the Group's GHG emissions.**
- **Preparing/sharing the Group's positions.**
- **Developing a systematic dialogue with our stakeholders in order to share our approaches, our analyses, our positions, for example :** with investors and in particular with the Climate Action 100+ coalition, and with local partners to ensure a fair transition, with Ademe on a methodology for the greening of gas...
- **Developing partnerships and collaboration with numerous associations :** CPLC (Carbon Pricing Leadership Coalition), We Mean Business, B Team, WEF, WBCSD, IETA, ICC, CEPS, AFEP, MEDEF, EPE.
- **Defining a compensation strategy and scheme, including qualitative and quantitative criteria for the use of compensation for the needs of the company and its customers.**

### Our targets and actions to reduce GHG emissions

The Group is committed to being Net Zero Carbon for all its direct and indirect emissions (scope 1, 2 and 3) by 2045. The Group is also SBT well below 2°C certified. Our emissions reduction targets cover 99% of our total carbon footprint (scopes 1,2 and3).

The Group has set new decarbonization targets as part of its commitment to a «well below 2°C» trajectory on which it has been certified in February 2023:

- Reducing our carbon intensity of scope 1 and scope 2 energy production by 66% from 2017 to 2030 (emission rate per kWh);
- Reducing the carbon intensity of all our energy sales by 56% from 2017 to 2030 (emission rate per kWh);

These objectives are accompanied by a target to reduce emissions from energy production (scopes 1 and 3) to reach 43 Mt in 2030, a target to reduce by 34% the emissions related to the use of the products we sell to reach 52 Mt CO<sub>2</sub> in 2030 and an objective to accelerate

the development of renewables to reach 58% of the Group's installed capacity by 2030.

In addition to its SBT commitment, the Group is mobilizing by:

- Accompanying customers in their decarbonization with a target of 45 Mt CO<sub>2</sub> eq. of emissions avoided through the use of ENGIE's products and services;
- Encouraging all the Group's employees to be actors in the reduction and neutralization of their carbon footprint (Ways of working) with a goal of carbon neutrality on GHG emissions related to its working practices (after compensation);
- Committing to its suppliers with an objective of 100% of SBT certified or aligned on the TOP 250 preferred suppliers (excluding energy).

### Assessing climate change risks and developing an adaptation plan

- **Following and implementing the TCFD recommendations.** Work with internal experts and the Institut Pierre Simon Laplace (IPSL) on meteorological indexes of sensitivity to climate impacts on our assets and activities, study of activities, study of 2°C and 4°C climate impact scenarios;
- **Increasing internal knowledge and expertise** through a methodology for classifying and prioritizing risks and cross-branch working groups (climate, adaptation, water);
- **Strengthening the resilience of our infrastructures and activities** (identification of priority sites and local options of adaptation);
- **Anticipating the impacts of climate change:** integrating a risk analysis (extra-financial criteria) for new projects, isolating and climate change elements into the Group's scenarios;
- **Evaluating the financial impacts** of climate change on our industrial tools and our business plan, collaborating in external national and international issuer-investor working groups;
- **Assessing the Group's transition risk;**
- **Developing external partnerships:** the Group is a partner of the IPSL, in order to work on climate index projections for the impacts on the Group's activities;
- **Communicating on actions** (respecting and anticipating regulatory requests to publish risks, positioning the Group as a committed player: CDP, S&P Global, etc.).

## A rigorous governance and an aligned investment process

While the four committees of the Board are required to be vigilant on climate issues in their respective areas of competence, the Board Committee on Ethics, Environment and Sustainable Development («CEEDD») is specifically responsible for examining the risks and opportunities related to climate change and making recommendations to the Board. Chaired by an independent director, it ensures that the Group is committed to environmental responsibility and that it takes into account non-financial issues and long-term prospects, in particular by setting non-financial objectives.

These missions lead the CEEDD to examine the Group's climate objectives on a regular basis, both in terms of their parameters (ambition, definition, scope, deadlines and level of certification) and the monitoring of their implementation. More generally, all climate-related disclosures are examined by the CEEDD.

The Board of Directors, relying on the work of the Nomination, Remuneration and Governance Committee (NRGC), ensures the alignment of executives with the climate objectives it has set in line with its statutory purpose, by integrating them into the remuneration policy for the Chief Executive and all executives.

Thus, the variable remuneration of the Chief Executive Officer is partly conditional on the objective of reducing CO<sub>2</sub> emissions from energy production. In 2023, this objective represents 10% of the extra-financial criteria of the CEO's annual variable remuneration and 10% of all the criteria for her performance shares, which also include, for 5%, the objective of increasing the share of renewable energy in the Group's electricity capacity mix.

The performance share plans for all the Group's senior executives and, more generally, for all beneficiaries of performance shares, are conditional, to the same extent as the CEO, on the achievement of the two climate objectives mentioned before.

### • MTP CO<sub>2</sub>

The CO<sub>2</sub> emissions reduction targets to which the Group is committed are integrated into the medium-term planning process. The new organisation into Global Business Units allows the CO<sub>2</sub> emission targets to be broken down by GBU at the level of medium-term planning and contributes to the appropriation of the Group's global challenges by activity. CO<sub>2</sub> monitoring is an integral part of the managerial dialogue, which is expressed through the performance analysis process based on financial data relating to the periodic closing of the consolidated accounts (actuals) and forecasts.

### • Investment process

The investment decision process incorporates the CO<sub>2</sub> impact of projects and its consequences on baseline Trajectories. The applicable internal procedure aims to favour, within the strategic criteria, projects with a low CO<sub>2</sub> impact. The analysis of the CO<sub>2</sub> impact of each project on the Group's emissions trajectory, as well as the possible avoided emissions of customers, are part of the systematic review points before any investment decision. Information on the CO<sub>2</sub> impact is mandatory as soon as any new project is considered, in order to measure its contribution, within a predetermined envelope, to the respect of the reference trajectories. Furthermore, the projects' analysis also considers their sensitivity to CO<sub>2</sub> price scenarios.

### • Financing

The Group is one of the leading issuers of Green Bonds, financing for which the funds raised are directly allocated to "green" projects. In addition, and in order to materialise its commitment to reduce GHGs, the Group has incorporated, into its syndicated credit lines, mechanisms for adjusting the lenders' margins in relation to compliance with annual CO<sub>2</sub> performance indicators.

## High transparency

Progress on the targets for reducing GHG emissions from energy production and increasing the share of renewables in the electricity generation capacity mix are published half-yearly when the Group's annual and half-yearly results are published.

In addition, ENGIE publishes an annual climate report as a complement to its Integrated Report. Since 2022, this climate report is published in accordance with the requirements of the TCFD.

Finally, in 2021, ENGIE conducted a review of its memberships in professional and industry associations and carried out a detailed assessment of their alignment with its climate positions and the objectives of the Paris Agreement on combating climate change. This assessment is published in the form of a brochure on the Group's website and is updated annually.

In accordance with its commitment to fight climate change and accelerate the transition to a carbon-neutral economy, ENGIE is committed to ensuring that its lobbying activities and sector associations are aligned with the objectives of the Paris Agreement and the company's climate strategy.