

# GROUP ENVIRONMENTAL POLICY

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# EDITORIAL



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**The Group's stated goal of asserting its leadership of the energy transition by seeking harmonious progress has prompted it to put the environment at the very heart of its strategy.** ENGIE sees environmental performance as a long-term and overarching objective (reconciling both financial and non-financial criteria).

**In this light, the Group has an Environmental Policy that forms part of the more general Corporate Social Responsibility Policy.** This policy was drawn up to dovetail with other Group policies with which it should interact, including management systems, health and safety, ethics, risks, procurement and industrial safety.

**The environment is a major challenge for ENGIE and a key asset in creating value with its stakeholders.** Its protection, or enhancement if possible, is crucial to safeguarding the availability and wealth of the natural resources which the Group uses for its activities and which it subsequently makes available to its customers.

The Group adheres to and shows its support for the major international guidelines for environmental conservation: the UN's Global Compact and Sustainable Development Goals, the OECD Guidelines and the Paris climate agreement, etc.

**As well as complying with the growing regulatory requirements applying in this area, the Group set itself an initial series of ambitious objectives, which it has since met. Now ENGIE wants to take things a step further by encouraging proactive measures to:**

- Mitigate the adverse effects of its activities on the environment and wherever possible boost their positive effects;

- Capitalise on the opportunities arising from environmental conservation in its service offers and its relations with stakeholders.

As a result, in some cases the Group's internal standards may even surpass those laid down in certain local regulations.

**ENGIE also pursues a continuous improvement approach which is based on:**

- Sharing best practices regarding all environmental issues;
- Helping to improve the environmental performance of its customers, suppliers and subcontractors;
- Communicating on a regular basis about its environmental performance to ensure transparency.

**Accordingly, this Environmental Policy sets out:**

1. The Group's environmental challenges;
2. The measures implemented by the Group to address these challenges and improve its performance;
3. Governance aspects supporting the implementation of the Group Environmental Policy.

# 01.

## THE GROUP'S ENVIRONMENTAL CHALLENGES

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**Environmental challenges are multiplying.** The risks of climate change, over-exploitation of natural resources, erosion of biodiversity and pollution are of central importance to our societies.

**For ENGIE, addressing these challenges is key to ensuring the long-term viability of its business model.** As it seeks to take the lead in the energy transition, the Group believes that economic prosperity and environmental sustainability go hand in hand.

**The Environmental Policy is evolving to support the Group's new strategic guidelines and the transformation of its business** arising from ENGIE's decision to concentrate on low-carbon, decentralised and digitalised activities and offer integrated solutions to its customers that are compatible with sustainable development.

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### HEALTH AND THE ENVIRONMENT

**Environmental health depends on many factors, such as air, water and soil quality, and various nuisances** (noise, visual nuisances and foul odours).

**For a group like ENGIE, knowing and effectively controlling these factors can reduce the environmental health risks for its stakeholders** (employees, local residents, customers, etc.) and ensure the sustainability of its activities

In a bid to help maintain a healthy environment, the Group tries to anticipate the tightening of regulatory requirements.

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### CLIMATE CHANGE

**Climate change, caused by the rising concentration of greenhouse gas (GHG) emissions in the atmosphere, is recognised by our societies as being one of the major challenges facing us in the 21st century.** The Paris Agreement signed at COP21 in 2015 demonstrates the emergence of a global approach prioritising practical solutions to tackle these threats.

The Group takes an active part in the fight against climate change

**For the Group, this also involves helping its customers and suppliers to cut their emissions by offering services to this end.** Reducing its GHG emissions also provides the Group with an opportunity to establish itself on new markets and promote some of its actions and investments that are geared towards cutting these emissions.

**Finally, climate change is a key challenge for ENGIE because of the impact this will have on the Group's infrastructure and activities.** Extreme weather events are likely to become even more severe and more frequent, while more gradual shifts such as temperature and sea-level rises and ocean acidification will change the environment in which businesses are operating. **The Group is mobilized to adapt to climate change by enhancing the resilience of its infrastructure and services and by showing creativity.**

## **PRESERVING RESOURCES AND BIODIVERSITY**

### **01. PRESERVING RESOURCES**

**The over-exploitation of natural resources poses a real danger to humanity.** Currently, our consumption is substantially greater than the planet's capacity to regenerate its resources and handle our waste. This means that preserving natural resources such as water and the raw materials we require to conduct our operations or generate energy is a priority. The Group reflects the need to preserve resources in two main areas, set out below.

**Preserving freshwater resources.** Water is a vital resource for our societies and for the performance of the Group's activities. As a result, the Group attaches particular importance to its use and the potential impact of any wastewater discharges into nature.

To address these challenges, Group entities need to ensure they gain a deeper understanding of the water footprint of their activities and to identify areas of water stress and implement action plans for sites in those areas, for instance by developing water re-use.

→ **The Group considers the integration of its activities into a more circular economy to be a key factor in its economic and environmental performance.** The circular economy by optimizing recycling, enables end-of-life materials or products to be reintroduced into the production loop. This reduces production costs, boosts added value and increases customer loyalty.

By for example combining its material, waste and energy streams with those of its partners and neighbours, the Group can help to establish an industrial ecology saving both costs and resources as part of a win-win approach undertaken with its stakeholders.

### **2. PRESERVING BIODIVERSITY AND ECOSYSTEMS**

Biodiversity is both:

- **A resource vital for the Group's activities** (e.g. biomass) that needs to be preserved; and
- **A valuable commodity shared with its stakeholders.**

**Mindful of its interdependent relationship with biodiversity, ENGIE intends to preserve or even enhance biodiversity by incorporating it into its strategy and businesses.**

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## 02.

# MEASURES IMPLEMENTED BY THE GROUP TO ADDRESS ITS CHALLENGES

With a view to addressing these environmental challenges, the Group is implementing various measures based on the following two principles:

- **A systemic approach** which seeks to bring together all the environmental challenges it faces to promote synergies in this area;
- **Consultation with its stakeholders.** The ENGIE Environmental Policy is based on a dialogue with its stakeholders, enabling solutions to be developed which have been constructed together and which take due account of each stakeholder's interests.

### IMPROVING THE GROUP'S ENVIRONMENTAL PERFORMANCE

Four types of initiatives are used to improve the Group's environmental performance:

#### 01. UNDERSTANDING INTERACTIONS BETWEEN THE GROUP'S ACTIVITIES AND THE ENVIRONMENT AND ANTICIPATING THEM WHENEVER POSSIBLE

To provide the most appropriate responses, we need to study this interaction since it is not always direct or immediately obvious. To do this, the Group will surround itself with the relevant internal and external expertise for this work and collaborate on environmental issues with various research bodies. It will also encourage the use of environmental impact assessment (EIA) and product life-cycle assessment (LCA) tools to provide as complete a picture as possible.

In preparation for this interaction, the Group is performing impact assessments and introducing environmental aspects, including an internal carbon price, into new projects/ investments, while also mapping all its environmental risks. This preparation also means understanding how the environment, evolving as it is due to climate change, can reshape how the Group conducts business and its business model.

To this end, the Group for example is devising a procedure for adapting to climate change that will provide a better understanding of the impact of these developments on its activities and is supporting the implementation of local adaptation plans.

In the energy sector, interaction with the climate is inevitable. The Group is working on reducing its GHG emissions by making large-scale investments in renewables and in energy efficiency. It has also decided to stop investing in coal assets and hydrocarbon extraction activities. Furthermore, ENGIE announced that it was aligning its development with the objectives of the Paris climate agreement, the main aim of which is to keep global warming well below 2°C.

#### 02. SETTING AND IMPLEMENTING OBJECTIVES AND ACTION PLANS THAT TAKE ACCOUNT OF ALL THE ENVIRONMENTAL CHALLENGES AND STAKEHOLDERS

There is a specific text for each of the main challenges in the Group Environmental Policy. To manage these challenges optimally, the Group compiles action plans, adopts non-financial objectives directly relating to the environment and, when considered useful, implements associated tools to assess the risks and impacts, and identifies measures to take. These objectives (see ANNEX) enable priorities to be specified and have a mobilising effect.

In line with the two principles underpinning its Environmental Policy, the Group's environmental management is both integrated and coordinated with its stakeholders. For all its activities, ENGIE:

- Promotes action plans that take into account all the environmental challenges and their potential interactions (an initiative may for example address both water and adaptation issues);
- Draws up these action plans in consultation with its stakeholders.
- Uses a matrix incorporating the main environmental challenges to identify target sites, i.e. those having the biggest environmental impact and/or posing the biggest environmental risk;

### 03. MANAGING RESOURCES EFFICIENTLY

**ENGIE is taking measures to manage water resources more efficiently.** Every year, an assessment of the risk of water stress is conducted for the Group's industrial sites. In addition, the Group has calculated the water footprint in the life-cycle assessment of 1 kWh of electricity and 1 kWh of gas.

In the context of its integrated and coordinated environmental management, the Group draws up action plans for sites in areas facing extreme water stress.

**As part of its efforts to preserve biodiversity and further entrench its operations locally, ENGIE has made a commitment under which for each of its sites that are considered a priority in this area** it will compile an integrated action plan to address the biodiversity protection issues identified by the site and/or its stakeholders.

The Group develops tools to integrate biodiversity into its activities, based on the following hierarchy of actions: preventing, reducing, offsetting.

**With a view to controlling energy resources more effectively, ENGIE devises energy efficiency solutions for its customers and for its own energy needs.** For instance, the Group devises heat recycling solutions for industrial and tertiary processes and helps its customers to monitor and reduce their energy consumption by using smart meters and digital applications. Energy efficiency is key as it represents over half of the drive to combat climate change. ENGIE also encourages its customers to behave responsibly in terms of the environment, including making rational use of energy.

**ENGIE promotes use of the circular economy whenever possible.** As a result, the Group is committed to:

- **Promoting the production of biomethane** from waste (including biomass) **and of methane** through CO<sub>2</sub> methanation;
- **Increasing the recycling rate for waste generated by its activities** - the data in this regard are monitored by all the sites in order to reduce the amount of waste produced;
- **Supporting eco-design in its projects** by using life-cycle assessment.

### 04. MONITORING HOW PERFORMANCE IN THIS AREA DEVELOPS OVER TIME AND IN COMPARISON WITH OUR COMPETITORS.

**The Group aims to monitor the improvement of its environmental performance by providing indicators in particularly high-stake lines of business.** Ces indicateurs permettent de comparer sa performance dans le temps ainsi que sa performance par rapport à d'autres organisations comparables.

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These indicators allow comparisons of its performance to be made over time as well as with other similar organisations.

Moreover, ENGIE assesses its environmental initiatives with **benchmarks** for competitiveness it has drawn up and encourages the sharing of best practices.

Given that the Group's environmental performance is also rated by **rating agencies**, ENGIE also uses this information to identify areas for improvement.

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## **LISTENING, RAISING AWARENESS AND ESTABLISHING LONG-TERM PARTNERSHIPS WITH OUR STAKEHOLDERS WITH REGARD TO ENVIRONMENTAL MATTERS**

ENGIE focuses on dialogue with stakeholders to better understand their expectations and feedback and take them on board, both locally and worldwide. This dialogue is based on regular communications from the Group on its environmental performance and its open and welcoming attitude in response to any controversies that may arise in this regard.

### 01. EMPLOYEES

ENGIE's environmental performance depends on raising employee awareness of our environmental challenges, so the Group uses a range of tools to this end, encompassing **internal conferences and training sessions, networks and intranet resources**. Using internal competency networks, the Group fosters the **sharing of best practices, innovation and grassroots initiatives** that help to promote general awareness.

In a number of specific areas such as green mobility, waste recycling, rational use of energy and 'Green IT', the Group launches discussions and initiatives aimed at employees

to encourage them to change their behaviour. ENGIE urges its employees to get involved so that they can develop and implement environmentally friendly practices.

### 02. SUPPLIERS

**ENGIE is committed to developing sustainable procurement**, mindful of the fact that suppliers form a key link in the ENGIE value chain. This approach is governed by the Group's Purchasing Policy, which includes environmental conservation as one of its requirements

### 03. CUSTOMERS

The Group contributes to change behaviours by developing offers with an environmental component to its customers, such as green electricity and photovoltaic self-consumption. The Group co-organises 'cross-creativity' workshops with its largest customers to identify innovative environmentally friendly solutions and provides information on the impacts of its offers.

### 04. PUBLIC AUTHORITIES

The Group engages with plans to amend environmental regulations, getting involved at the earliest possible opportunity. The Group supports, for example, the need for the public authorities to introduce generalised carbon pricing in order to ramp up the transition to a low-carbon economy.

### 05. NGOS

ENGIE forges partnerships with environmental NGOs whose expertise and ability to engage in dialogue help the Group to further improve its performance. This collaboration is evident both in the policy priorities explored by the Group and its practical action in the field..



## 06. INVESTORS

ENGIE reports on a regular basis to investors on its continuing drive to improve its environmental performance.

The Group is increasing the transparency of its reporting and promoting initiatives such as the Task Force for Climate Financial Risk Disclosure (TCFD).

### **SUPPORTING NEW BUSINESSES TO MAKE THEM MORE ENVIRONMENTALLY FRIENDLY**

The Environmental Policy supports new activities and services developed by the Group, to show that taking account of the environment can be a competitive advantage and enables the Group to capture new markets. For low-carbon activities such as renewable energy generation, the challenge is to show how ENGIE's offer takes an integrated approach to the environment, encompassing GHG reduction, biodiversity protection, management of water resources and air quality.

### **INNOVATING TO DEVELOP SOLUTIONS/ SERVICES THAT INTEGRATE THE ENVIRONMENT INTO VALUE CREATION**

**The environment is an ever-changing issue. Innovation is therefore key to environmental performance.** The Group devotes a substantial part of its research efforts to the development and implementation of new technological solutions and business models, including support for innovative start-ups that value the environment in their creation of value.

### **ENCOURAGING GREEN FINANCE**

To address environmental challenges, the financial sector must operate in a way that recognises the value of environmental conservation for our societies.

A move in this direction is now under way, with more and more financial players taking an interest in these issues.

ENGIE is encouraging this trend in the financial sector as evidenced by:

- **Its use of Green Bonds to finance the energy transition**
- **Its development of innovative financial products** such as local participatory financing and crowdfunding;
- **Its support for generalised carbon pricing to incorporate climate externalities into financial models and shift investment towards the low-carbon economy.**

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# 03.

## ENVIRONMENTAL RESPONSIBILITY GOVERNANCE

### **The Environmental Policy is applied by all Group entities.**

The entities take on the Group's environmental objectives and adapt them to their own business according to their own challenges and responsibilities.

**Within the Group, the environment functional line consists of a network of environment correspondents** (one per Business Unit), who are responsible for the implementation of the Environmental Policy. They lead and coordinate a network within their own entity and ensure that information and best practices are disseminated between all the components of the Group's organisation. They participate in the monitoring process and the environmental audits organised. The network of Business Unit environment correspondents makes proposals and examines environment-related dossiers before they are presented to the management bodies for approval. This business line is also present in the Group R&D activities within a dedicated entity : The Environmental and Societal Lab.

**The network of correspondents is run by a corporate division, namely the Corporate Social Responsibility Division.** The tasks of this division are to:

#### **01. Facilitate regular meetings within the environment functional line**

The aim is to facilitate discussion on the terms of the Environmental Policy, difficulties encountered in implementing the policy, practical application of thematic action plans, and recommendations arising from audits and in relation to best practices.

This division verifies implementation of the Environmental Policy through environmental reporting and monitoring of non-financial objectives/performance reviews related to the environment. Environmental reporting is performed using a data collection tool which is available to Business Units, subsidiaries and facilities. This is verified by the

auditors. Following the annual reporting campaign, each Business Unit Head confirms, in a letter of compliance, the accuracy of the information supplied and that the Group Environmental Policy is being applied. The Business Units also set environmental targets consistent with those of the Group.

**02. Develop and promote the tools** needed to implement and measure the Group's environmental performance. These tools are intended to be made available to Business Units.



**03. Initiate/supervise studies and working groups** on environment-related issues in order to take issues forward and anticipate risks.



**04. Inform top management** (the Executive Committee and the Board of Directors' Ethics, Environment and Sustainable Development Committee) about the Group's environmental performance in order to identify areas for improvement to be addressed in future action plans. To this end, the CSR Division draws up an annual assessment, together with a plan, drawing on the Business Units' reports and the results of the environmental audits ordered by the Executive Committee.

**05. Develop positions/arguments and speak for ENGIE** on environmental issues. The CSR Division is involved in the Group's strategic development process and suggests positions for the Group to take on environmental issues.

ANNEX

**PERIOD 2015-2020: 4 ENVIRONMENTAL OBJECTIVES**

| Level-one objectives   | Definition  | Target value in 2020 |
|--|---|----------------------|
|  <b>Renewable energy</b> | Share of renewable energy in the electrical production capacity mix                       | 25%                  |
|  <b>GHG emissions</b>   | % reduction in ratio of CO <sub>2</sub> emissions to energy production compared with 2012 | -20%                 |

| Level-two objectives  | Definition   | Target value in 2020 |
|---|--|----------------------|
|  <b>Integrated and concerted management of the environment</b> | % of target sites with an integrated environmental management plan drawn up in collaboration with their stakeholders | 100%                 |
|  <b>Water</b>  | % reduction in ratio of freshwater withdrawal/MWh of electricity   | -15%                 |



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