

Climate Strategy related to TCFD recommendations 2021

| Extract from 2021 URD



3.1.3 Climate trajectory (related to the recommendations of the TCFD: Task Force on Climate-related Financial Disclosures)

3.1.3.1 Governance

The Board of Directors sets the climate transition strategy and its associated objectives. This subject is central to its work, particularly when the Board holds its strategy seminar and makes investment decisions, which are researched by the Strategy, Investment and Technology Committee (SITC).

Regarding climate, the Board relies on the work of the Ethics, Environment and Sustainable Development Committee (EESDC), which is specially charged with reviewing the risks and opportunities connected with climate change and making its recommendations to the Board.

The Ethics, Environment and Sustainable Development Committee (EESDC) studies and decides on climate-related issues in particular points concerning the implementation of TCFD recommendations, decarbonization objectives and climate policy. This role was confirmed by its inclusion in the Internal Regulations of the Board of Directors in 2019.

In order to fulfill this mission, the EESDC relies on an annual climate assessment, an analysis of climate-related risks and

opportunities, as well as other more specific elements (e.g. progress on the adaptation plan). Climate risk is one of the seven primary risks reviewed by the Board of Directors on an annual basis. These reports are prepared by the CSR Department, which also includes a chapter dedicated to climate change in its CSR reporting to the EESDC.

The CSR Department leads the SBT committee in monitoring and managing the Group's decarbonization objectives, and the TCFD & Adaptation committee in monitoring and implementing the TCFD recommendations.

The Group has also set up training modules for directors so that they can ensure that they have sufficient skills to fulfill their roles. The climate is one of the training topics.

The CSR Department also makes proposals to the Appointments, Compensation and Governance Committee on the criteria for compensating the Chief Executive Officer in relation to ENGIE's main non-financial challenges. The Group's energy-related GHG emission performance is one of these.

3.1.3.2 Strategy

In line with its purpose, contributing to the decarbonation of the economy is at the heart of the Group's strategy. This also takes the form of long-term commitments for carbon neutrality (Scopes 1, 2 and 3) by 2045 and of medium to long term commitments that project GHG emissions on a path compatible with the Paris Agreement (see Section 3.1.4).

In order to define its commitments, the Group has studied the resilience of its business model by comparing it to different decarbonization scenarios and by varying the assumptions for the development of its activities.

These commitments are already reflected in the Group's processes: for example via the allocation of 2025 and 2030 carbon budgets to the main businesses and bi-monthly reporting of the consumption of these budgets within the context of new investments.

The impact of climate change on the Group's strategy is being studied as well. An in-depth process is currently under way,

with the issue being approached by country or by major climate region where ENGIE has an interest. The study covers four areas: the impact of climate change on country risk; the value of existing assets; the strategic objectives out to 2030, and the strategic issues specific to the countries in question. This study, which is based primarily on three IPCC climate scenarios, will be completed in the second half of 2022.

Moreover, climate change can also bring new opportunities: it encourages the development of new technologies and solutions, which also are opportunities for the Group, particularly in terms of:

- development of renewable energy for electricity ;
- development of green gas (biomethane and hydrogen) ;
- more offers of decarbonization support and solutions for our customers.

3.1.3.3 Risk management

Climate change entails structural risks for the Group.

The transition risks to which the Group is exposed mainly result from the strengthening of emissions regulations and decarbonization policies, changes in market and consumer behavior, and technological developments. The Group has been setting itself greenhouse gas emissions targets since 2012. Since the signing of the Paris Climate Agreement in 2017, the Group has reduced its direct emissions by 53% and total emissions by 30%. It is set to achieve ambitious objectives by 2030 (certified by SBTi) and carbon neutrality in 2045. As well as the emissions of its own industrial assets, the Group acts throughout its value chain, including suppliers, work practices, and support for customers as they decarbonize their footprint.

Physical risks are inherent in the assets and activities of the Group that might be exposed to the impacts of climate change. The collaboration of the CSR Department with the Group's operating entities has made it possible to identify the climate indicators that affect our activities (rising temperatures, floods, droughts, wind, and heat waves). The Group has also forged a partnership with the Pierre Simon Laplace Institute to obtain climate change data for the periods to 2030 and 2050.

With these items, the Group is able to make a list of priority operating sites whose local resilience to climate change is being studied. Analyses of all ENGIE production facilities are under way, evaluating the financial impact of climate change on the Group's business activities. In addition to risk management, insurance coverage and short-term continuity plans, a plan to adapt our high-risk assets for 2030 and 2050 is being drafted.

3.1.3.4 Indicators and targets

ENGIE has a robust panel of key performance indicators (KPI) that enable it to measure its carbon footprint with all the desired level of detail. These indicators allow it to precisely control changes in its GHG emissions. The results of the decarbonization targets are shown in Section 1.5.2.