ENVIRONMENTAL POLICY

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Introduction

The Group's purpose, which is enshrined in its articles of association, places the environment at the heart of its concerns, in the light of the two components that are the transition to a carbon-neutral economy and the positive impact on the planet. ENGIE thus conceives its performance in the long term and in its entirety, a performance reconciling financial, economic and CSR (Corporate Social Responsibility) criteria.

For this reason, the Group defines an environmental policy that is part of the more general framework of its corporate social responsibility policy. This policy is developed in line with the Group's other policies with which it interacts: health and safety, human resources, ethics, risks, purchasing, industrial safety, etc. All of these policies enable the Group to ensure the operational implementation of its raison d'être, its ambition and its strategy.

The environment is a major issue for ENGIE and a key asset for creating value with its stakeholders. Its preservation, at the very least, through compliance with the "Avoid/Reduce/Compensate" sequence, known as ERC, and whenever possible its improvement through the notion of "Positive Balance", make it possible to maintain the availability and richness of the natural resources that the Group uses for its activities and that it makes available to its customers. The Group is also attentive to the interactions between the various environmental issues and consequently favours an integrated approach in order to :

- finding the best solutions, e.g. nature-based solutions to the climate problem
- avoid collateral effects, for example by using life cycle analyses for environmental assessment.

The Group adheres to the major international principles for the preservation of the environment and shows its support for the UN Global Compact, the UN Sustainable Development Goals, the OECD Guiding Principles and the Paris Climate Agreement.

In addition to meeting the growing regulatory requirements in this area, the Group aims to achieve an environmental performance that places it among the most virtuous companies in its sector. To this end, it has set itself ambitious targets for 2030 and encourages proactive actions to :

- Reduce the negative impacts of its activities on the environment by systematically applying the Avoid-Reduce-Compensate sequence and by respecting the first two stages as much as possible, and whenever possible increase their positive impacts;
- To take advantage of opportunities related to environmental preservation in its service offerings and in its relations with its stakeholders and to make it a growth factor.

When the Group is required to define internal standards, it endeavours to retain the highest possible level of requirements compatible with its economic performance obligations and the expectations of its stakeholders. These standards are therefore more ambitious than local regulations. ENGIE's environmental responsibility is also expressed through a continuous improvement approach based on :

- Sharing best practice on all environmental issues;
- Contributing to the improvement of the environmental performance of its sphere of influence and more particularly its customers, suppliers and subcontractors;
- Regular communication on its environmental performance, with a constant concern for transparency;
- Consultation with its stakeholders to build its performance requirements and ambition with a view to co-construction where possible;
- A holistic approach that combines all environmental issues to avoid collateral effects. To this end, tools such as Life Cycle Assessment (LCA) are commonly used by the Group.

This environmental policy is complemented by policies on Climate (mitigation and adaptation), Biodiversity, Water, Forestry and Circular Economy, which detail the commitments and objectives made specifically in these areas. These thematic policies are annexed to this policy.

1. The Group's environmental challenges

For ENGIE, meeting environmental challenges is a key element of the long-term viability of its business model, given that economic prosperity and environmental performance are inseparable.

ENGIE's thinking in this area is guided by the main principles presented in chapter 2, and includes in its scope the Group's sphere of influence, upstream and downstream of its value chain, as well as its main stakeholders. For each issue, this reflection is structured on the basis of the UN's Sustainable Development Goals and the guiding principles of the Global Compact and the OECD. For climate, the Group refers to the Paris Agreement and the work of the IPCC; for biodiversity, it relies on the IPBES reports and the work of the future post-2020 agreement of the Convention for Biological Diversity (CBD).

• Climate change

The fight against climate change is recognised by our societies as one of the major challenges of this century. The Group is actively involved in the fight against climate change and supports the Paris Agreement. It has set ambitious targets for reducing its emissions, in the short term (2030) and in the long term (2045), for both direct and indirect emissions. In early 2020, the Group obtained SBT certification, validating the conformity of its projected development for 2030 to a trajectory compatible with the Paris Agreement. Since then, ENGIE has committed to a "well below 2°C" trajectory by 2030 and to being Net Zero Carbon for all its direct and indirect emissions (scope 1, 2 and 3) by 2045. For the Group, this also means supporting its customers and suppliers in reducing their emissions by offering 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.

On the other hand, extreme climatic events are likely to increase while more gradual changes are altering the environment in which economic players operate. The Group is mobilising to adapt to climate change by strengthening the resilience of its infrastructures and services and by mobilising its innovation capacities. (*See section 1 - Climate policy*)

• Respect for nature: preservation of resources and biodiversity

Preservation of resources

The overexploitation of natural resources is a real danger for humanity. At present, our withdrawals far exceed the Earth's capacity to regenerate its resources and absorb waste. For more than 20 years, the Group has been integrating the life cycle dimension into its activities and is now committed to including the notions of planetary limits in its work. Preserving natural resources such as water, the raw materials needed for our activities or for the production of our energy is therefore a priority.

For the Group, the need to preserve resources is reflected in three main areas:

- Preservation of water resources (*see strand 3 - Water policy*).
- Forest preservation (*see Strand 5 - Forest Policy*)
- Circular economy (*see strand 4 - Circular economy policy*)

In addition to these two main areas, the Group also integrates the preservation of other resources such as :

- Air, by minimising emissions of air pollutants and ensuring that best available techniques are used when implementing new projects;
- Soil, by putting in place the necessary means to preserve the quality of soil and subsoil and by rehabilitating them in the event of pollution.

Preservation of biodiversity and ecosystems

Aware of its interdependence with biodiversity, ENGIE wishes to preserve biodiversity and even develop it by integrating it into its strategy and projects. The commitments made in the act4nature international and companies committed to nature schemes are evidence of this desire. The Group contributes to reducing the pressure on biodiversity by using the footprint of its entities, by helping to reduce the pressure exerted by climate change through the implementation of its strategy, and by reducing impacts throughout the value chain. (*See section 2 - Biodiversity policy*)

Other environmental issues, of a more local dimension, are integrated by the Group within the framework of this policy, such as noise, odours, light pollution and landscape pollution. Each action and each project takes into account all these dimensions in order to avoid these impacts as much as possible.

2. Ambition, commitments and objectives

- **Ambition**

The Group's environmental ambition, which translates into a Net Zero Carbon commitment and a positive impact on the planet, is fully in line with its Raison d'Être, which is integrated into the company's articles of association. The Raison d'Être guides the Group's actions at all levels and thus contributes to improving the Group's environmental performance.

"ENGIE's raison d'être is to act to accelerate the transition to a carbon-neutral economy through more energy-efficient and environmentally friendly solutions. This raison d'être brings together the company, its employees, customers and shareholders and reconciles economic performance with a positive impact on people and the planet. ENGIE's action is to be appreciated in its entirety and over the long term.

- **Our environmental commitments and objectives**

The Group is committed to complying with the environmental laws and regulations applicable in the countries where it operates and, where possible, to anticipating the application of new legal provisions where these are more stringent.

The Group also integrates international reference principles and is committed to international environmental initiatives. Quantitative objectives make these commitments operational (*see Appendix A*)

3. The means implemented by the Group to meet these challenges

To meet these environmental challenges, ENGIE implements means based on the following two principles:

- A "systemic" approach that seeks to link all environmental issues in order to promote synergies on the subject and avoid possible rebound effects;
- Consultation with its stakeholders to develop solutions that best integrate the considerations of each stakeholder and seek a positive impact. The applicable principles are available in the stakeholder engagement policy.

To this end, the Group implements a continuous improvement approach to environmental performance based on understanding and anticipating our impact on the environment, on commitment to making our impact on the environment positive and on monitoring our impact over time. It also promotes listening, awareness and building sustainable partnerships with our stakeholders (employees, suppliers, customers, public authorities, NGOs, investors).

In addition to these principles, the elements of the environmental policy are deployed in the various processes of the Group, to ensure the most complete mobilisation for its adoption, to develop new business opportunities and to develop green finance. (*See Appendix B*)

4. Scope and governance of environmental responsibility

- **The scope of application**

This policy applies to all Group companies. For each company, the policy also applies, as far as possible, to contractors acting on behalf of the company, as well as to joint ventures and other equivalent associations, if managed by the company.

- **Decentralised governance**

The environmental policy, which is fully integrated into the Group's governance, is supported by all of its operational and geographical entities. It is linked to various governance tools such as the letters of commitment from the GBU CEOs, the QBRs (Quarterly Business Reviews), the Medium-Term CO2 Plan (MTP), the carbon budgets, the CSR matrix in the investment files, the incentive systems for the remuneration of senior executives, the steering committees dedicated to certain 2030 objectives, the vigilance plan, the risk mapping (ERM) and the internal control (INCOME process)

Within the Group, the environmental department is made up of a network of environmental correspondents, the "environmental officers", who provide a network throughout the Group's organisation. These officers are responsible for supporting the management line in implementing and monitoring the environmental policy. Each correspondent is also responsible for leading the network within his or her own entity and for disseminating information and best practices. This sector is also present in the Group's R&D activities with a dedicated entity: The Environmental and Social Lab.

(*See Annex C*)

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

Energy use is responsible for 60% of global GHG emissions. 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 first 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 putting in place 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 early 2020, ENGIE obtained SBT certification, validating the conformity of its projected development for 2030 to a trajectory compatible with the Paris Agreement. Since then, the Group has committed to a "well below 2°C" trajectory by 2030 and to being 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 neutralising residual emissions that it would no longer be able to reduce and to offer offsetting solutions to its customers.

Finally, climate change is a central issue for ENGIE insofar as the Group's supply chains, infrastructures and activities will be affected by the consequences of climate change. Climate impacts (droughts, fires, storms, extreme rainfall and floods, etc.) are likely to increase, while more gradual changes (rise in temperature, sea level, ocean acidification, etc.) are altering the environment in which economic players operate. The Group is mobilising 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 reflected in its relationship with its stakeholders at all levels, whether it is first convincing its customers and suppliers of the need to decarbonise, 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 activities.

• Our approach to reducing emissions

- **Monitoring, anticipating, informing and preparing the Group for national and international regulatory developments related to climate change**. Involvement in and support for 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...)
- **Develop and disseminate common language on the topic**
- **Participate in commitment dynamics via institutions/associations Business.**
- **Develop renewable energies, promote the most efficient technologies (energy efficiency, condensation boilers, heat pumps, etc.)**
- **Supporting R&D and innovation within the Group**
- **Define targets and propose 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**
- **Prepare/share Group positions**
- **Development of 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...
- **Development of partnerships and collaboration with numerous associations:** CPLC (Carbon Pricing Leadership Coalition); We Mean Business, B Team, WEF, WBCSD, IETA, ICC, CEPS, AFEP, MEDEF, EPE
- **Definition of 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 2°C certified on our emissions reduction targets covering 96% of our scope 1 emissions and 83% of our scope 3 emissions.
Since then, the group has set new decarbonization targets as part of its commitment to a "well below 2°C" trajectory on which it is currently being certified:

- Reduce our carbon intensity of scope 1 and scope 2 energy production by 55% from 2017 to 2030 (emission rate per kWh);
- Reduce the carbon intensity of all our energy sales by 56% from 2017 to 2030 (emission rate per kWh);
- Reduce the emissions from the use of the products we sell by 34%.

These objectives are accompanied by an objective to accelerate the development of renewables to reach 58% of the Group's installed capacity in 2030.

In addition to its SBT commitment, the Group is committed to :

- supporting customers in their decarbonization with a target of 45 Mt CO2 eq. of emissions avoided through the use of ENGIE products and services;
- Encouraging all employees of the group to be actors in the reduction and compensation of their carbon footprint (*Ways of working*) with a goal of carbon neutrality on GHG emissions related to its working practices (after compensation);
- engaging with its suppliers with a target of having 100% of preferred suppliers (excluding energy) certified or aligned with SBT.

- **Assessing climate change risks and developing an adaptation plan**

- **Follow and implement the TCFD recommendations**. Work with internal experts and the Institut Pierre Simon Laplace on meteorological indexes of sensitivity to climate impacts on our assets and activities, study of +2°C and +4°C climate impact **scenarios,**
- **Increase knowledge and internal expertise** via a methodology for classifying and prioritising risks and cross-branch working groups (climate, adaptation, water);
- **Strengthen the resilience of our infrastructure and activities** (Identification of priority sites, Identify local adaptation options);
- **Anticipate the impacts of climate change:** Integrate a risk analysis (extra-financial criteria) for new projects, Isolate and integrate climate change elements in the Group scenarios;
- **Evaluate the financial impacts** of climate change on our industrial tools and our business plan, collaboration 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 (Institut Simon Laplace), in order to work on climate index projections that are significant 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, RobecoSAM, etc.).

- **Rigorous governance and an aligned investment process**

While the four Board committees 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 perspectives, in particular by setting non-financial objectives. These missions lead the ESDC 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 (NRCG), 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 of the Chief Executive Officer and all executives.
Thus, the variable remuneration of the Managing Director is partly conditional on the objective of reducing CO_2 emissions linked to energy production. This objective represents 10% of the extra-financial criteria of the Chief Executive Officer's annual variable remuneration and 10% of all the criteria for her performance shares, which also include the objective of increasing the share of renewables in the Group's electricity capacity mix, up to 5%.
The performance share plans for all the Group's senior executives and more generally for all beneficiaries of performance shares are conditional, in the same proportion as the Chief Executive Officer, on the two aforementioned climate objectives.

- <u>MTP CO2</u>

The CO_2 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_2 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_2 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 (*updates)* and *forecasts*.

- Investment process

The investment decision process incorporates the CO_2 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_2 impact. Analysis of the CO_2 impact of each project on the Group's emissions trajectory and of any emissions avoided by customers are systematically reviewed before any investment decision is made. Information on the CO_2 impact is mandatory as soon as any new project is considered, in order to measure its contribution, within a predetermined envelope, to compliance with the reference trajectories. In addition, the analysis of projects also takes into account their sensitivity to CO_2 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' margin in relation to compliance with annual CO performance indicators$_2$.

- **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 to accompany its integrated report. In 2022, this climate report was 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. It is updated annually.

Strand 2: Biodiversity Policy

- **Context: Biodiversity at the heart of the company's challenges**

The planet is facing an unprecedented erosion of biodiversity since the beginning of humanity. Human activities are at the origin of this sixth mass extinction. Indeed, all human activity is dependent on nature, which contributes directly and indirectly to the good quality of life, by providing material goods, regulating environmental conditions and through non-material contributions. To meet this global challenge, each actor, whether public or private, can act at his or her level according to the impacts and dependencies on biodiversity related to his or her activities.

The Group's activities are in constant interaction with biodiversity: on the one hand, some of them benefit from the services provided by nature (biomass, watercourses, climate regulation) and, on the other hand, the footprint of industrial sites has an impact on ecosystems.

Whether in the city or the countryside, ENGIE sites can contribute to the restoration of ecological continuity and the preservation of ordinary biodiversity. Similarly, as the impacts are spread across the value chain, the Group is also working to identify issues and reduce risks within the supply chain.

In accordance with the environmental policy, the Group strives to avoid its direct or indirect impacts on biodiversity, or to reduce them, or even to offset them as a last resort.

ENGIE has been committed to the preservation of biodiversity since 2011, first through its commitments in the National Strategy for Biodiversity, then the signing of the Cancun pledge in 2016, and finally the commitments in act4nature international and Entreprises Engagées pour la Nature in 2021.

ENGIE has benefited from the expertise of two partners for over 10 years: the French Committee of the IUCN and France Nature Environnement. Some of the Group's subsidiaries also have partnerships with the Museum of Natural History, the League for the Protection of Birds and Birdlife.

- **From managing the biodiversity footprint to positive impact :**

The Group analyses its impacts and dependencies on biodiversity, according to **the five major pressures** on biodiversity (land use change, resource depletion, climate, pollution and invasive alien species), in order to identify actions that will **help reduce these impacts and control its dependencies,** while respecting the **10 common commitments** of the **act4nature** mechanisms.

In order to reduce the footprint, contribute to the restoration of ecological corridors and reduce the presence of invasive alien species, the Group :

- Implements **ecological management of sites** wherever possible, i.e., at least no use of chemical plant protection products and differentiated management of green spaces
- Identifies **protected areas in the vicinity of the sites** and defines **actions in consultation with stakeholders** to minimise impacts or turn them into positive impacts. Protected areas considered are Natura 2000 areas, Ramsar areas, UNESCO sites (natural and mixed), IUCN categories I to VI, Important Bird Areas, Key Biodiversity Areas and Biosphere Reserves (MAB)
- Commits to **the application of the "avoid, reduce, offset" sequence** throughout the world.

In order to contribute to the reduction of climate-related pressure, the Group has implemented a climate policy aimed at significantly reducing greenhouse gas emissions for its own activities, but also for its customers and suppliers. As part of the adaptation to climate change, ENGIE is committed to implementing, where possible, **nature-based solutions, in line with the standard defined by the IUCN,** allowing both the restoration of biodiversity and adaptation to the impacts of climate change or natural disasters.

The Group includes biodiversity in its exchanges with stakeholders:

- **In-depth study of impacts and dependencies in the value chain** and exchange with key suppliers and subcontractors
- Maintain and develop **partnerships with biodiversity stakeholders.**

Committed to the fight against the global loss of biodiversity, the Group is also committed to :

- Contribute to the **development of knowledge** on biodiversity at the territorial level
- Continue to **raise awareness and train** employees.

- **Objectives and commitments:**

Under the previous guidelines and commitments, several objectives have already been achieved, such as

- The provision of a tool to identify protected areas in the vicinity of sites and projects
- Identification of priority sites in Europe, then worldwide, and the implementation of action plans drawn up in consultation with stakeholders
- The creation and management of an internal network of biodiversity experts
- Publication of a brochure to raise awareness among employees

The new objectives and commitments are defined for the period 2020-2030. They are included in the Group's commitments in the act4nature systems.

	Target
Implementation of ecological management of industrial sites	50% of sites by 2025 100% of sites by 2030
Further development of action plans2 for sites located in or near a biodiversity hotspot by applying the new definition of priority sites, which now includes all sites located near protected areas with no derogation possible	50% of sites by 2025 100% of sites by 2030

	Target
Application of the 'avoid, reduce, offset' sequence to development projects worldwide, in consultation with stakeholders	2022: 100% of the ⩾ 30 M€ files submitted to the Group or GBU Commitments Committee 2025: gradual extension to cases not passing through the Group CDE or GBU
Contribution to the implementation of Nature-based Solutions (NbS) in the territories	2022: 10 projects identified that comply with the IUCN NbS standard 2025: implementation of these projects
Carrying out an in-depth analysis of the impacts and dependencies for the Group's main activities along the value chain	At least 2 activities per year by 2025
Provision of biodiversity awareness modules for employees	Minimum 2 modules per year by 2025, available in 3 languages 2022-2023: 3,000 employees/year 2024-2025: 5,000 employees/year
Creation of a platform for sharing good practice	Operational before the end of 2022

Strand 3: Water Policy

- **Context: a local issue**

Water is essential for life. But it is also a very important resource for industrial activities, including energy production. Faced with the risk of water shortages in several countries, in terms of quantity or quality, and the risk of conflicts of use, ENGIE seeks to continually improve its commitment to water management throughout the world.

For more than ten years, ENGIE has made a significant commitment to better water management. This process is based on ENGIE's membership of the CEO Water Mandate (a United Nations initiative), since its foundation in 2007, and on its contribution to the CDP water security questionnaire since its launch in 2011. The Group is also involved in the BAFWAC (Business Alliance for Water and Climate) initiative and supports the OECD's work on water governance. Contributing to the preservation of the oceans is also an issue on which the Group is working, particularly on potential indirect impacts.

Each year, the Group publishes a progress report as part of its participation in the CEO Water Mandate and responds to the CDP Water security questionnaire.

- **From water management to positive impact :**

A great deal of work has already been carried out in the area of water management: measurement of the water footprint of the Group's main activities, overhaul of indicators, assessment of water risk and implementation of action plans, contribution to international work such as WULCA, the Water for Energy framework or the OECD's water governance initiative.

As the Group's asset portfolio changes and stakeholder expectations increase, water management issues are evolving: While the use of water for hydroelectric power plants remains the same, new areas of engagement need to be considered, including water used in district heating and cooling systems, hydrogen production, issues related to the use of water in the supply chain (e.g. for the production of biomass resources) or access to water for ENGIE employees (WASH: Water, Sanitation and Hygiene).

Based on these developments and in line with the CEO Water Mandate (Global Compact), the Group is committed to :

- Identify water-stressed industrial sites, and develop action plans for all sites in high and very high water stressed areas
- Analyze water-related risks and opportunities in projects and implement appropriate actions
- Contribute to the improvement of water management and governance in the territories and work on the implementation of actions in consultation with the stakeholders at the scale of the catchment areas
- Implement all available technologies to reduce its impact on discharges (physico-chemical modifications, disturbance of ecosystems)
- Identify suppliers with water issues, based on the work done on the water footprint in previous years, and encourage them to develop action plans
- Integrating sustainable water management into customer services
- Initiate a process for access to water, sanitation and hygiene in the workplace

- **Objectives and commitments:**

Over the past ten years, several actions and objectives have been implemented within the Group:

- Measuring the water footprint of activities
- Achieving the target of reducing water abstraction for energy production
- Establishment of action plans for sites located in areas of extreme and high water stress in consultation with stakeholders
- Creation and animation of an internal network on water
- Contribution to the work of the CEO Water Mandate, OECD and CDP

The new targets and commitments are set for the period 2020-2030.

	Targets
Rate of reduction of freshwater consumption in relation to energy produced (m3/kWh)	coming soon
Establishment of environmental plans for all industrial activities (including action plans for sites located in areas of extreme or high water stress)	80% of sites by 2025 100% of sites by 2030

Strand 4: Forest Policy

- **Context :**

For centuries, wood from forests and residues from forestry operations have been used as a source of energy. But for several decades, and due to overexploitation of forest products and the needs of agriculture, the world's forest cover has been steadily decreasing.

Essential for stabilising the climate by naturally absorbing carbon dioxide (about one third of the CO_2 emitted by burning fossil fuels is absorbed by forests each year), they also provide many ecosystem services (food, water, fuel, medicines, traditional crops, livelihoods, etc.), regulate ecosystems and protect biodiversity.

It is therefore essential to support a balanced development of the multiple functions of forests and the efficient use of resources, including woody biomass for energy, which can come not only from forests (mainly in the form of forest residues) but also from other wooded land and trees outside the forest, wood processing co-products, post-consumer wood and wood-based processed fuels

As far as the biomass part is concerned, this policy only focuses on woody biomass used for energy production.

- **Forest - definition (FAO, Food and Agriculture Organization of the United Nations) :**

Forest: land larger than 0.5 hectares with trees higher than 5 metres and a tree cover of more than 10%, or trees capable of reaching these thresholds in situ. Different categories of "forest" can be defined more precisely:

- Plantation[1] : have been established and are managed (intensively) for the commercial production of wood and non-wood forest products, or to provide a specific environmental service (e.g. erosion control, landslide stabilisation, windbreaks, etc.)

- Natural forests: "Forests" that have regenerated naturally without human intervention.

- Semi-natural forests are neither strictly natural forests with minimal management nor planted forests with intensive management, but provide essential supplies of wood and non-wood forest products and valuable social, cultural, environmental and economic values.

Forest' excludes trees planted or seeded with human intervention where the main use of the land is for parks, gardens and agricultural production, e.g. fruit, vegetables or other non-forest land uses[2] . These trees are called "trees outside the forest".

- **Forestry and project development :**

ENGIE develops projects all over the world, such as renewable energies or linear infrastructures. For any project, the priority is to avoid any negative impact on biodiversity, i.e. species and habitats.

The application of and compliance with the mitigation hierarchy is part of our CSR roadmap and is set as an objective in ENGIE's act4nature commitments.

In 2019, ENGIE is committed to avoiding the development of new projects with negative impacts on UNESCO World Heritage sites (natural or mixed). If nevertheless, for technical, economic or political reasons, a project is located near or on a UNESCO site (natural or mixed), the Group commits[3] to assess the potential impact on the outstanding universal value of the site and to implement specific measures that preserve it.

Where species or habitat issues remain, biodiversity offsets are managed in accordance with the IUCN policy[4] developed in 2016, and with the participation of relevant stakeholders. The way in which offsets are made for cut trees is defined with the relevant stakeholders in the best way to preserve the ecosystem, habitats and species.

[1] A plantation is a forest consisting of trees of similar age of one or a few species, usually non-native, established in a regular pattern by planting or seeding for the purpose of producing timber.

[2] Such as short rotation coppice: trees from agricultural land plantations with short crop rotations of less than 8 years, including agroforestry (where trees are grown in short rotation around or among crops or pastures to optimise land use).

[3] including consultation with national and international environmental bodies, such as the UNESCO World Heritage Centre and IUCN

[4] IUCN Policy on Biodiversity Offsets 2016 RES 059

- **Forestry and wood biomass in the Group:**

ENGIE is one of the players in the wood value chain and, as such, can potentially have an indirect impact on forests, mainly through certain activities such as the burning and trading of woody biomass, and in some circumstances a direct impact during construction work. Committed to climate and anti-deforestation objectives, ENGIE sources its woody biomass exclusively from sawmill residues and forestry by-products and residues, or from waste materials.

The Group uses woody biomass on the one hand to produce electricity and heat (thermal power plant and boiler for industrial customers or district heating networks), and on the other hand buys and trades biomass for its own consumption and for third parties. The two main types of solid biomass marketed or used in the Group are: wood chips and wood pellets.

As one of the co-founders of the Sustainable Biomass Programme (SBP), ENGIE adheres to the principles of legality of biomass sources and its sustainability. An increasing proportion of the biomass marketed or used by ENGIE is SBP, FSC or PEFC certified, while fully respecting local communities and their way of life.

In addition, ENGIE complies with the relevant regulatory frameworks for greenhouse gas emissions along each supply chain and limits other environmental impacts, including impacts on air, water and biodiversity.

- **Objectives and commitments:**

By contributing to the achievement of the Sustainable Development Goals (such as SDG13 and SDG15) and by participating in the preservation of biodiversity through the act4nature commitments, ENGIE participates in the fight against deforestation and is committed to avoiding and minimising the impact of the Group's activities on the forest. And when this is impossible, for socio-economic and political reasons, to compensate for its impact. In accordance with SBP standards, ENGIE aims to use woody biomass from sustainably managed forests.

ENGIE also applies forest sustainability criteria to its carbon offset projects.

In addition, every biomass project developed by ENGIE is carried out in close consultation and dialogue with local stakeholders. Indeed, ENGIE considers it important to respect the rights of indigenous peoples and local communities.

In order to contribute to the fight against deforestation, ENGIE therefore aims to :

- **Avoid and reduce its impact on forests in its own operations and value chain as a priority, and offset as a last resort**
- **Prevent any negative impact on species or habitats**
- **Use and market sustainable biomass that** complies with internationally recognized biomass-specific standards, regulations or a voluntary scheme that is at least compatible with the requirements of the EU RED II Directive
- **Favoring local channels for its supply, which** facilitates the integration of small forest owners in the supply chain, so as to limit the impact on GHGs. **Annual GHG savings** must be **greater than 70% compared to the relevant fossil fuel baseline until 2025 and 80% after 2025**
- **Do not source biomass from sensitive areas** such as wetlands and peatlands, with biodiversity value or protected areas, or with a high carbon stock, and do not use high quality wood such as sawmill wood
- **Respect the rights and livelihoods of local communities in accordance with** the UN Declarations
- **Raising awareness among stakeholders** including subcontractors and suppliers
- **Contribute directly or through our suppliers to** environmental or reforestation **initiatives**
- Commit to ensuring that their activities and property do not start or sustain forest fires
- To report publicly on its actions and work on forests

<u>ENGIE's operational standards for woody biomass of forest origin :</u>

ENGIE uses and markets biomass which must meet all of the following requirements.

As a matter of principle, and in accordance with ENGIE's objectives and commitments (§8.5), local biomass supply channels must be favoured. A minimum of annual GHG savings compared to the fossil reference must be demonstrated (70% until 2025, 80% after 2025).

	Targets
1. **Traceability and compliance**	100% in 2023

Biomass is traceable and complies with the rules of the European Wood Regulation (or equivalent) in all cases, so that it complies with the European taxonomy.	
2. **Sustainability** Option a. Biomass is certified against PEFC non-controversial sources, FSC controlled wood, SBP or an equivalent voluntary scheme recognized by the European Commission under the EU RED II Directive. Option b. Where such certifications are not available, a sourcing policy (indicating sustainable forest management with respect to ecosystems) is defined and communicated to raw material suppliers and its application is verified by due diligence on a recurrent basis (at least every 5 years). The sourcing policy specifies that biomass should not be sourced from high quality sawlogs or stemwood. For the specific case of plantations, biomass can only be derived from the products of a plantation if the plantation is certified as indicated in option a. If this is not the case, the biomass can be derived from the residues of a plantation according to option b.	100% in 2024

Strand 5: Circular Economy Policy

- **Context: virtuous management of planetary resources**

The overexploitation of natural resources is a real danger for humanity. At present, our withdrawals far exceed the Earth's capacity to regenerate its resources and absorb waste. The day on which we will exceed the consumption of natural resources that the Earth can renew in the same year is getting closer and closer (29 July 2019, 2 months earlier than in 1999, *source WWF*).

The circular economy, an economic model whose objective is to produce goods and services in a sustainable way, by limiting consumption, resource wastage and waste production, is a response to this challenge. In the energy sector, the circular economy can be developed around three main themes: the exploitation of natural resources for energy production, energy consumption by end-users and the recovery of waste heat.

- **The circular economy within the Group :**

The Group considers the integration of its activities into a more circular economy as an essential factor of its economic and environmental performance. Actions are carried out at several levels: reuse of organic waste (production of biomethane), management of the end-of-life of materials (wind turbines, solar panels, etc.), or sustainable use of resources. The circular economy often leads to a reduction in production costs, an increase in added value and increased consumer loyalty.

For example, by combining its material, waste and energy flows with those of its neighboring partners, the Group can contribute to the implementation of a resource- and cost-efficient "industrial ecology" in a win-win approach with its stakeholders.

The Group is open to other approaches to strengthen the resource economy it is exploring, such as the functionality economy.

For more than 20 years, ENGIE has been measuring its footprint on resources through Life Cycle Assessments. It has also developed tools for analysing flows on a territorial scale to reduce the impact on resources and develop industrial ecology (the Group was a driving force in the Ecopal experiment conducted in northern France in the 2000s).

Each site or activity works to recover and/or recycle its waste. The Group, through its research and development teams in particular, works with designers, suppliers and recycling channels to reduce the impact on resources.

As a major player in the ecological transition, ENGIE implements the principles of the circular economy and is thus committed to :

- Increase the recycling rate of waste generated by industrial activities
- Reduce the use of fossil fuels
- Developing green gases such as biomethane and hydrogen
- Optimal recovery of waste heat from networks
- Identify recycling channels and thus reduce the impact on resources, particularly for renewable solar and wind energy
- Use resources in a sustainable manner via certified or labelled channels (e.g. biomass)
- Encourage eco-design in products used and services
- Combat deforestation in the supply chain and use only biomass from sustainably managed forests (see forest policy)
- Promote the reuse of spare parts and circulation of stock within the Group via a dedicated platform (BeeWe)

- **Objectives and commitments:**

Since 2017, the Group has made commitments to the circular economy:

- Boosting renewable gases: biogas, first, second and third generation biomethane
- Develop energy recovery from industrial and tertiary processes
- Innovative tools to support the decision-making process for the circular economy in industrial areas (BE CIRCLE tool)

The new targets and commitments are set for the period 2020-2030.

	Targets
Study of the impact of major activities on the planetary boundaries	2025
Quantity of biogas injected into the gas transmission or distribution networks controlled by the Group	>1.5 TWh/year in 2023 >5 TWh/year in 2030

Annex A: Environmental commitments and targets

The Group integrates the following principles and recommendations as far as possible: the UN Global *Compact*, the *GHG protocol*, the *Global Reporting Initiative* and the *Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD)*. ENGIE supported the draft international environmental charter.

To give substance to its ambition, the Group has also committed to international players, including the *Science-based targets* and the *Business commitment to a just transition and green, decent jobs* (BTeam) on climate, the *2016 Business and Biodiversity Pledge* and *act4nature international and companies committed to nature* on biodiversity or the *BAFWAC* on water.

Quantitative targets make these commitments operational:

Commitment #1: Be exemplary in deploying our own transition to carbon neutrality	
GHG emissions from energy, heat and cooling production (regardless of asset ownership), in line with the SBT trajectory in 2030 SBT certification: *-52% to 180g/kWh in 2030 compared to 2017, scopes 1 and 3*	43 Mt
Carbon intensity of energy production and consumption Carbon intensity reduction rate of scopes 1 and 2 for energy production and consumption* in 2030 compared to 2017	-55%
Carbon intensity of energy sales Carbon intensity reduction rate of energy sales in 2030 compared to 2017	-56%
GHG emissions from the use of products sold (gas and other energy products) in line with the SBT trajectory in 2030 *SBT certification: -34% on the use of products sold in 2030 compared to 2017*	52 Mt
GHG emissions from working practices in 2030	0 Mt
Share of renewables in the electricity generation capacity mix in line with the SBT trajectory in 2030	58%
Commitment #2: Make our customers and suppliers actors in their transition to carbon neutrality	
Group's contribution to avoided emissions at its customers	45Mt
Share of preferred suppliers (excluding energy purchases) with SBT certification in 2030	100%
Commitment #3: Limit the impact of our activities on the environment and living beings	
Share of industrial sites with ecological management in place in 2030	100%
Reduction of water consumption of energy production activities in 2030	-xx%.

The group has also set a target of having an environmental plan drawn up in consultation with stakeholders for all the group's sites and activities by 2030. This objective will be monitored by the Executive Committee.

Annex B: Means used

A continuous improvement approach to environmental performance

The improvement of the Group's environmental performance involves 3 types of actions:

Understanding and anticipating our environmental impacts

In order to provide the most relevant responses, it is necessary to study these interactions, which are not always direct or immediately observable. The Group therefore surrounds itself with the skills (internal and external) necessary for this work and collaborates with various research entities on environmental issues. It also promotes the use of environmental assessment tools, such as LCA (life cycle assessment) and global limits for the most comprehensive examination possible.

In order to anticipate these interactions, the Group carries out impact studies and introduces environmental elements, including an internal carbon price, into new projects and investment files. The main environmental risks are mapped out as early as possible in the projects in order to comply with the ERC sequence. These environmental issues are analysed before investment decisions are made.

Anticipating also means understanding how the environment - which is changing as a result of climate change in particular - may alter the conduct of the Group's activities and business model. To this end, for example, the Group is developing a methodology on climate change adaptation that enables it to better understand the impact of climate change on its activities and supports the implementation of local adaptation plans.

Committing to making a positive impact on the environment

The Group's environmental policy is set out in a specific text for each of its main challenges. Generally speaking, the Group's impacts are managed according to the "avoid > reduce > compensate" sequencing principle emphasised for biodiversity. Thus, whether for our greenhouse gas emissions or our impact on resources and biodiversity, we always strive to avoid any impact before reducing it and compensating for it as a last resort when possible. In the context of the climate, for example, this translates into the following method: sobriety > efficiency > renewables (electricity and gas) > compensation.

The environmental policy and related texts integrate the principles of international standards such as the Sustainable Development Goals, the GHG protocol, the TCFD, TNFD and SBT recommendations, as well as the guidelines of the ISO and EMAS standards.

To demonstrate its commitment and mobilise its teams, the Group has adopted a set of CSR objectives for 2030 (see Chapter 4). To do this, it defines action plans and implements tools to assess risks and impacts or identify means of action.

In accordance with the two principles that drive its environmental policy, the Group implements integrated and concerted environmental management. For all its activities, ENGIE :

- Encourages action plans that take into account all environmental issues and their possible interactions (for example, an action can address both water and adaptation issues);
- Develops these action plans in consultation with its stakeholders;
- Takes into account environmental health issues.

Managing our impact over time

In order to monitor the improvement of its environmental performance, the Group defines indicators in the areas of greatest concern. These indicators allow the Group to compare its performance over time as well as its performance against other comparable organisations.

In addition, ENGIE evaluates its environmental actions through the development of competitive benchmarks and encourages the sharing of best practices.

As the Group's environmental performance is assessed by rating agencies, ENGIE also uses this information to identify areas for improvement.

Listening, raising awareness and building sustainable partnerships with our stakeholders

ENGIE favours dialogue with its stakeholders in order to understand and integrate their expectations and comments as best as possible, both locally and globally. This dialogue is based on the Group's regular communication on its environmental performance and on its open and benevolent attitude to respond to any controversies that may arise in this area.

The employees

ENGIE's environmental performance depends on raising employee awareness of environmental issues. To this end, the Group uses various means: conferences and internal training via the "sustainability academy" created internally, networks, intranet. Through internal skills networks, it encourages the sharing of good practices, innovation and initiatives in the field that contribute to general awareness.

On certain specific subjects such as individual carbon footprints, green mobility, waste recycling, sober behaviour and Green IT, the Group launches discussions and actions aimed at employees to encourage changes in behaviour. ENGIE encourages the involvement of its employees in developing and implementing environmentally friendly practices.

The suppliers

Suppliers are an essential stakeholder in the ENGIE value chain. The duty of care also makes the Group responsible for the actions of these suppliers. For several years now, the Group's purchasing policy has included environmental protection in its requirements. To this end, and in addition to the contractual provisions of the specifications, the Group used an external CSR assessment of its suppliers.

With a view to becoming an ambassador for the Group's commitments in terms of Environmental, Social and Corporate Responsibility, a new step was recently taken with the adoption of a target for all our preferred suppliers to be SBT certified by 2030 at the latest (see Group Purchasing Policy).

The customers

The Group contributes to changing behaviour by developing offers with an environmental component for its customers, such as the green offer for electricity, self-consumption of photovoltaic energy, etc.

ENGIE co-organises cross-creativity workshops with its main customers to find innovative solutions that respect the environment and reports on the impacts of its offers.

The Group has developed decarbonisation offers for its customers, ranging from consulting to the provision of turnkey solutions.

The public authorities

The Group takes a stand on projects to develop environmental regulations and participates in them as soon as possible. For example, the Group supports the need for public authorities to generalise carbon prices in order to accelerate the transition to a low-carbon economy, as well as the need to develop incentives for the development of renewable energies, including thermal energies (biomass, green gas, etc.).

NGOs

ENGIE forms partnerships with environmental NGOs whose expertise and capacity for dialogue benefit the Group in its search for performance. This collaboration takes place both in the policy guidelines studied by the Group and in actions in the field.

The investors

ENGIE regularly communicates with investors to demonstrate its ongoing efforts in terms of environmental performance. It works closely with investor coalitions on climate issues, for example. The Group strengthens the transparency of its reporting and promotes initiatives such as the *Task Force on Climate-related Financial Disclosures* (TCFD) and the Task Force on Nature-related Financial Disclosure (TNFD) ,

Mobilisation within the Group for its adoption and promotion

This environmental policy, the Group's commitments and objectives are promoted by :

- A decentralised management structure based on the principle of subsidiarity with clearly defined responsibilities (see next chapter).
- Integration into the Group's strategic development and financial processes.
- A comprehensive environmental management system based on the "avoid, reduce, compensate" principle (see above).
- Consideration of environmental criteria in CAPEX allocation as well as in risk management and control policies.
- Training and provision of information to employees and management.
- Working with suppliers to ensure that they are increasingly environmentally friendly.
- Participation in international CSR and environmental initiatives, ratings and indices.

The development of new business opportunities

The environmental dimensions are strong criteria for differentiation and therefore for business opportunities. The environmental policy accompanies the new activities and services that the Group is developing in order to demonstrate how taking the environment into account can be a differentiating factor and enable it to win new markets.

The development of green finance

In order to respond to environmental issues, the finance sector needs to recognise the value to our societies of preserving the environment in the way it operates.

Today, the movement is underway and more and more financial players are interested in these issues. ENGIE encourages this evolution of the financial sector as shown by :

- The use of Green Bonds to finance the energy transition ;
- The development of innovative financial products such as participatory finance at the territorial level, crowdfunding, loans or credit lines indexed on environmental objectives;
- Support for the generalization of carbon prices to integrate climate externalities into the financial logic and to direct investments towards the low-carbon economy;
- Analysis of the environmental, societal and economic impacts of its activities on a territorial scale.

Annex C: The roles of the CSR department in implementing the environmental policy

The network of correspondents is led by the CSR Department, which is responsible for :

1. Facilitate regular meetings within the sector. The objective is to facilitate the exchange of information on the terms of the environmental policy, the difficulties encountered in its implementation, the implementation of thematic action plans, and the recommendations made during audits as well as on good practices;
2. Ensure the operational implementation of the environmental policy and its commitments. To this end, it initiates and supervises working groups, studies and tools on subjects related to the environment. It also supports the deployment of the Group's objectives; in addition, the Global Business Units or local entities can deploy their own objectives;

3. Measuring the impact of the Group's activities on the environment. Environmental reporting is based on a data collection tool accessible to business units, subsidiaries and facilities. It is verified by the statutory auditors. At the end of the annual reporting campaign, each business unit director commits to the quality of the information provided and to the implementation of the Group's environmental policy in a letter of compliance;

4. Informing top management (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 and propose future action plans. The CSR Department prepares an annual report, accompanied by a plan and enriched by the report provided by the operational entities and the results of the environmental audits commissioned by the Executive Committee.