

Just transition policy

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Introduction

ENGIE is committed to achieving Net Zero Carbon by 2045 for all of its direct and indirect greenhouse gas emissions by following a "well below 2° C" trajectory. To achieve this goal, the Group aims to make a massive shift to decarbonized energy production with the objective of limiting as much as possible the residual emissions to be offset. This trajectory is based on intermediate targets for greenhouse gas (GHG) emissions from energy production and GHG emissions from the use of products sold (gas sales). Two levers are used to ensure this trajectory: the first lever is the exit from coal by 2025 in Europe and 2027 in the rest of the world. In line with its coal phase-out plan, the group will prioritize first the closure of its sites, then their conversion to less carbon-intensive energy and finally the sale if it is impossible to close or convert due to local constraints. The second lever is based on accelerating the development of renewables and the greening of gas. The development in renewables will be achieved by adding an average of 4 GW of solar and wind capacity per year over the period 2022-25 and an average of 6 GW per year over the period 2026-30. ENGIE will only invest in projects and regions that are compatible with its long-term objective of reducing its GHG emissions and has chosen to allocate carbon budgets to each of its activities to take into account carbon pricing in its short, medium and long-term investment decisions.

The transition to a carbon-neutral economy also has important social implications, particularly in the energy sector. The notion of "Just Transition¹" stems from the belief that a transition to a more carbon-neutral and sustainable economy should be conducted in a way that is fair to all stakeholders: workers, consumers, local communities and suppliers, and should aim to minimize the negative effects of the transition while maximizing its positive effects.

This policy specifies the prerequisites for a successful just transition and the main principles implemented by ENGIE to address it.

The means implemented to respond to this will be the subject of a fair transition plan which will supplement the present policy with concrete illustrations.

¹ As defined in the Paris Agreement or the ILO Guidelines for a Just Transition to Environmentally Sustainable Economies and Societies for All: https://www.ilo.org/global/topics/green-jobs/publications/WCMS_432859/lang-en/index.htm

1. Prerequisites for a just transition

1.1. Collaboration

No single company can achieve a just transition alone: governments have a leading role in coordinating all policies and planning, while businesses have a direct role in guiding the just transition, whether through international inter-firm collaboration or at the local level, in collaboration with trade unions, local authorities and NGOs.

ENGIE has also set up a transparent and open dialogue and consultation process with the territories for each new project and throughout the life of the project. ENGIE's stakeholder engagement policy specifies the internal tools for engagement with stakeholders.

1.2. Tax justice

Faced with rising inequality, companies have a role to play. This is why ENGIE has signed up to the B team's responsible tax principles and is encouraging the emergence of responsible taxation around the world.

ENGIE's tax policy meets a renewed requirement to reconcile economic performance with the fair application of the law in all the countries where it operates.

2. Key issues of the just transition for ENGIE

2.1. Controlled management of restructuring

The shift towards a carbon neutral economy is leading to changes in the portfolio of energy assets. This has an impact on the workforce which can be positive (creation of new jobs) or negative depending on the sites concerned, and can even lead to job losses.

2.1.1. Support during site closures

In view of its commitment to be Net Zero Carbon by 2045, ENGIE is committed to phasing out coal in Europe by 2025 and by 2027 for the rest of the world. To this end, ENGIE has developed a plan to prioritize site closure, conversion and, as a last resort, sale, if it is impossible to close or convert the plant due to local restrictions.

ENGIE's experience in closing coal-fired power plants - in the UK (1026 MW), Italy (592 and 591 MW) or more recently in Portugal (576 MW) but also in Chile (159 MW) or Brazil (60 MW) offers valuable lessons on the need to anticipate and collaborate with all stakeholders (government, workers, trade unions, municipalities) not only on the retraining and redeployment of workers but also on how to restructure the regional economic fabric (rehabilitation projects co-built with local communities, social contributions through partnerships).

2.1.2. Employability and skills

The shift towards a carbon neutral economy is leading to a profound transformation of skills. It is therefore essential to anticipate the skills of tomorrow in order to avoid tensions.

To this end, ENGIE is participating in work to identify the key skills of tomorrow's professions and is developing support programs through training, thanks to close ties with the university world and the national education system.

2.1.3. Common core of guarantees for all workers

ENGIE has developed a global policy of fair transition for its employees throughout the world and has recently renewed its agreement with the global union federations IBB, IndustriALL and ISP as well as the representative trade unions at Group level (CFDT, CFE-CGC, CGT and FO) on fundamental social rights and social responsibility. This agreement provides a common base of guarantees for all ENGIE employees worldwide and reflects the importance the Group places on its social responsibility, in line with its *raison d'être*.

2.2. Contribution to the economic and social development of the territories

2.2.1. Building territorial projects

It is essential to take account of the challenges facing the territories if the transition is to be fair, i.e. chosen, equitable and not suffered by the majority. Given the economic, social and environmental disparities at local level, some territories will be more affected than others. To be fair, the transition must therefore take an interest in its consequences for each territory, in order to take advantage of its geography, its economic and social assets and its specificities to create new opportunities where current jobs are threatened.

Knowledge of the regions and the issues specific to them enables ENGIE to make investments adapted to the needs of the regions. In this way, ENGIE makes a lasting contribution to the economic and social progress of the host regions by optimizing the local economic spin-offs of its industrial projects: local investments, policy of promoting local employment, taking into account the impact of restructuring on the local employment area.

ENGIE also participates in the structuring of new industrial sectors (biomethane, renewable hydrogen, offshore wind power, etc.) which have positive spin-offs for the territories not only in economic terms but also in terms of intangible assets (dissemination/publication of scientific results, development of new skills via training) and the circular economy with the development of biomethane.

2.2.2. Providing affordable energy

Affordable energy, i.e. energy at a cost that is acceptable to both individuals and companies, is essential to limit the impact on the purchasing power of households and the competitiveness of companies. ENGIE offers packages that allow consumers to consume less, but also many packages that include an energy performance dimension. Thus, consumers can monitor their consumption, benefit from personalized advice, manage according to a target budget or control their consumption and comfort remotely.

ENGIE is also working in the field to fight energy poverty: using social aid such as the energy voucher, learning eco-actions to consume less and better, preventive solutions to replace consumer equipment with more efficient equipment. In France, ENGIE has been contributing €6 million a year to the Fonds Solidarité Logement (FSL) since 2010. In 2021, 63,900 ENGIE customer households were helped in this way, with an average aid of €230. Exceptionally, this allocation to the FSL will be doubled in 2022 (€12 million).

2.3. Contribution to territorial resilience

2.3.1. Preservation of natural resources and neighbouring communities

Any new infrastructure has both a general interest and an impact on local communities and biodiversity. By taking these impacts into account through environmental plans, ENGIE contributes to the resilience of the territories.

Since 2016, ENGIE has implemented an integrated approach to managing environmental issues for its sites, activities or projects, framed by an appropriate dialogue with stakeholders. Thus, ENGIE carries out environmental impact studies and implements avoidance, reduction and compensation measures to preserve biodiversity in partnership with local stakeholders and environmental protection associations. Our goal is to have 100% of our sites, activities and decommissioning sites with an environmental plan by 2030 and 100% of our industrial sites with an ecological management.

2.3.2. Contribution to the reduction of the vulnerability of territories

In order to better understand the impacts of climate change on its assets and activities, ENGIE has entered into a partnership with the Institut Pierre Simon Laplace to model as accurately as possible future energy production trends and the impact of extreme events on all of the Group's technologies in the various regions of the world. In 2021, the impact of climate change on the evolution of solar, wind and hydro power production has been mapped. In 2022, the Group will conclude this analysis with the impact study for thermal activities, the biomass and biogas supply chain, and for heating and cooling networks.

ENGIE plans to share these adaptation plans with the stakeholders in the territory in order to help reduce the vulnerability of the territories.

3. Main principles implemented by ENGIE

- **Concerning the pre-requisites**
 - Cooperate with governments, trade unions and municipalities to anticipate social impacts.
 - Building partnerships
 - Sharing knowledge and good practice
 - Paying the right tax

- **Concerning the controlled management of restructuring**
 - Develop a responsible strategy for closing, converting or selling assets
 - Anticipating the skills of tomorrow
 - Creating decent jobs
 - Designing innovative social protection measures

- **Contribution to economic and social development**
 - Creating shared value
 - Contributing to competitive local supply chains
 - Dialogue with communities
 - Contributing to intangible heritage
 - Providing affordable energy

- **Contributing to the resilience of territories**
 - Preserving biodiversity
 - Contribute to reducing the vulnerability of territories to climate change

Taking these principles into account in all of ENGIE's projects and operations reinforces the feasibility, acceptability and profitability of these projects by avoiding controversy and blockages, which are sources of loss of value created by the projects.

The dimensions of just transition are numerous and their implementation is likely to vary from one region to another. It will therefore be important to have both a regional and even a national master plan in order to be able to involve stakeholders in the process.

ANNEXES

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