



## JOINT SUBMISSION OF A DRAFT RESOLUTION BY SEVERAL SHAREHOLDERS

This draft of resolution was submitted by the following shareholders:

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### **Amendment to Articles 21 and 24 of the Bylaws on the climate strategy**

The general meeting, voting under the quorum and majority conditions required for extraordinary general meetings, after having taken note of the information contained in the explanatory memorandum accompanying this draft resolution, and the report of the board of directors, resolves to amend the *Article 21 - Powers of the General Meetings of Shareholders – Officers of the Meetings – Agenda and the Article 24 - Financial year* of the articles of association as follows:

I.- *Article 21 - Powers of the General Meetings of Shareholders – Officers of the Meetings – Agenda* is completed by a fifth and sixth paragraph that read:

“Every three general meeting of shareholders, the board of directors can decide to submit to a consultative vote of the shareholders a resolution on the company's climate strategy referred to in article 24. Should the company make significant changes to such climate strategy within this period, this vote can be submitted, based on a board of directors' decision, to the next closest general meeting of shareholders after these changes.

“At each general meeting of shareholders, the board of directors can decide to submit to a consultative vote of the shareholders a resolution on the progress report of the company's climate strategy implementation referred to in article 24.”

II.- *Article 24 – Financial year* is completed by two other paragraphs that read:

“At the close of each financial year, the board of directors can decide to publish the following reports:

1. A company's climate strategy consistent with the purpose of the company referred to in article 2 – Purpose (“raison d'être”), enabling the shareholders to assess it against a climate scenario limiting



global warming to 1.5°C above pre-industrial levels, with low or no overshoot and with limited use of negative emission technologies (also called carbon dioxide removal).

2. A progress report of the above-mentioned company's climate strategy implementation over the past financial year."

III.- The title of Article 24 - Financial year is modified as follows:

"Article 24 - Financial year – Climate strategy".

## **Explanatory Memorandum**

### **I. Introduction**

#### **a. The decisive role of the power sector in achieving the objectives of the Paris Agreement**

The Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) converge on the need for a massive reduction in fossil fuel consumption in order to keep global emissions within a carbon budget that limits global temperature increase to 1.5°C above pre-industrial levels.

In particular, the IPCC identifies the need for a reduction of 45% in CO<sub>2</sub> emissions by 2030 compared to 2010 levels, in order to reach net zero emissions by 2050<sup>1</sup> and points out that, "projected cumulative future CO<sub>2</sub> emissions over the lifetime of existing and currently planned fossil fuel infrastructure [the majority of which is in the power sector] without additional abatement exceed the total cumulative net CO<sub>2</sub> emissions in pathways that limit warming to 1.5°C (>50%) with no or limited overshoot".<sup>2</sup>

In parallel, the IEA Net Zero Emission (NZE) scenario states that "the global use of unabated fossil fuels in electricity generation is sharply reduced" in the years to come: unabated coal-fired generation is phased out by 2030 in advanced economies and by 2040 in all other regions, and "generation using natural gas without carbon capture [...] starts falling by 2030 and is 90% lower by 2040 compared with 2020".<sup>3</sup> The IEA NZE scenario entails a decline of fossil gas use in the global power sector of 25% of 2021 levels by 2030 and 93% by 2040, making it the fastest declining sector for gas use.<sup>4</sup> and "by 2035, unabated natural gas represents below 5% of electricity generation"<sup>5</sup>. Furthermore, in the IEA NZE scenario, by 2030, 40% of electricity generation comes mainly from wind and solar when annual capacity additions of all renewables reach 1,200 GW compared to the 290 GW renewables capacity installed in 2021.

Implementing this scenario requires a significant reorientation of capital expenditures (capex): to achieve the transition away from unabated fossil fuel generation in the power sector, for every dollar spent globally on fossil fuels by 2030, at least nine dollars must be invested in what the IEA classifies as "clean energy and efficiency investments" (i.e. energy efficiency, clean fuels and clean power, network and storage).<sup>6</sup>

<sup>1</sup> Intergovernmental Panel on Climate Change, [Sixth Assessment report. Climate Change 2022: Mitigation of Climate Change](#), Summary for Policymakers, p. 12, 2022.

<sup>2</sup> Intergovernmental Panel on Climate Change, [Climate Change 2022: Mitigation of Climate Change](#), Summary for Policymakers, p. 16, April 2022

<sup>3</sup> International Energy Agency, [Net Zero by 2050: A Roadmap for the Global Energy Sector](#), p.116, May 2021

<sup>4</sup> International Energy Agency, [World Energy Outlook 2022](#), p.133-134, October 2022

<sup>5</sup> International Energy Agency, [World Energy Outlook 2022](#), p.137, October 2022

<sup>6</sup> International Energy Agency, [World Energy Outlook 2022](#), p.62, November 2022

This transition may create “transition risks”. Carbon Tracker estimates that 66% of the global coal operating fleet may be made unprofitable by 2040 (from 27% today) based on current pollution regulations and climate policies.<sup>7</sup> Even with a “below 2°C” scenario, investors and governments will likely face over USD 267 billion in stranded assets.<sup>8</sup> However, climate inaction implies very high costs that are out of proportion with the investments required for the zero-carbon transition. Swiss Re Foundation<sup>9</sup> showed that the current trajectory of increasing greenhouse gas (GHG) emissions and associated climate change could result in a contraction of the global economy by 18% in 2050, well above the cost of the transition.

**b. The need for investors to be consulted at AGMs on the company’s transition plan, based on complete and qualitative information**

In order to establish and deploy their climate commitments and manage climate risk exposure, investors must be consulted on transition plans and have a sufficient level of climate disclosure from the companies they invest in, especially in key sectors for global climate mitigation, in order to be able to assess the alignment of their climate plans with the objectives of the Paris Agreement.

In France, the Decree of the Article 29 of the Energy-Climate Law on non-financial reporting by market players<sup>10</sup> requires investors to set “a quantitative goal between now and 2030 which will be reviewed every five years up to 2050. [...] The goal shall include direct and indirect greenhouse gas emissions in absolute value or in value of intensity in relation to a reference scenario and a reference year. It may be expressed by measuring the implicit rise in temperature or by the volume of greenhouse gas emissions”<sup>11</sup>. Moreover, since 2020, a growing number of investors have made a voluntary commitment to align their investments with a decarbonization trajectory that will result in net zero emission by 2050.

The Corporate Sustainability Reporting Directive (CSRD)<sup>12</sup> requires companies to communicate from 2025 on “the plans [...] to ensure that [their] business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement [...] and the objective of achieving climate neutrality by 2050.”

Moreover, the French Autorité des Marchés Financiers (AMF) recently states that “the companies will have to present their strategy, which will have to be accompanied by precise targets, in a substantiated and detailed manner. A follow-up at the general meeting under the same conditions should be set up at regular intervals. The AMF considers that it would be appropriate, in due course and under conditions to be defined by law, for this information to be submitted to shareholders for approval, as is the case for the annual financial statements.”<sup>13</sup>

<sup>7</sup> Carbon Tracker, [Do Not Revive Coal: Planned Asia coal plants a danger to Paris](#), p. 15, June 2021.

<sup>8</sup> Carbon Tracker, [Powering Down Coal: Navigating the economic and financial risks in the last years of coal power](#), November 2018.

<sup>9</sup> Swiss Re Institute, [The economics of climate change risk](#), 2021

<sup>10</sup> [Decree no. 2021-663](#) of 27 May 2021 implementing Article L.533-22-1 of the Monetary and Financial Code, Official Journal of the French Republic.

<sup>11</sup> Ministry for the Economy, Finance and the Recovery, [Decree no. 2021-663 of 27 May 2021 implementing Article L.533-22-1 of the Monetary and Financial Code](#), May 2021.

<sup>12</sup> [Directive \(EU\) 2022/2464](#) of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

<sup>13</sup> AMF, [Shareholder dialogue on environmental and climate issues](#), March 2023.

## II. Engie's situation

### a. Despite progress on disclosure, transparency on several key indicators is still required to assess Engie's strategy against a 1.5°C trajectory

Engie has gradually improved both its disclosure and its climate ambitions, encapsulated in its net zero emissions goal by 2045, and its purpose or "*raison d'être*" stating that the company "acts to accelerate the transition to a carbon-neutral economy through low-energy solutions that are more respectful of the environment".

In 2022, Engie consulted its shareholders through a Say on Climate resolution. The resolution was approved at close to 97%, however, the company had yet to clarify important aspects of its plan in order to answer several requests brought to the attention of the company and its Board of Directors by shareholders over the past few years.

The company since provided additional information in its [Market update 2023](#) and its *Climate/TCFD Report 2023*<sup>14</sup> allowing for a better assessment of the company's ability to accelerate its climate transition plan, notably the recent certification of its GHG targets as "well-below 2°C" by the Science Based Targets initiative (SBTi). It is notably the case regarding the quantifying of decarbonization levers (in particular the exit from coal), projected capital expenditures for biomethane and hydrogen by 2030, disclosure of an enhanced carbon intensity target for energy production and consumption for 2030, more detailed and ambitious targets for biomethane development by 2030, and a new target for batteries capacity by 2030.

Nevertheless, based on the framework of Climate Action 100+, Engie's disclosure remains incomplete<sup>15</sup> and does not fully allow investors to assess the company's decarbonization trajectory against a 1.5°C scenario. Engie meets three out of the 10 criteria assessed by CA100+, scoring less favourably than other European utilities.

In our view, the company could improve on several points as:

- Capex: Engie has published a commitment to decarbonize its capital expenditures (Capex) with growth capex planned to increase by 50% between 2023 and 2025, 75% of which will be aligned with the EU taxonomy. Investors still lack visibility regarding the breakdown of the remaining 25% and notably capex relating to fossil gas infrastructure
- Global scope 3 targets: Engie has set several decarbonization targets for 2030 which are validated as well below 2°C trajectories by the SBT initiative, however these do not cover the full scope of Engie's activities. In particular, upstream scope 3 emissions are only covered by the target of the top 250 preferred suppliers (excluding energy) to be SBT certified or aligned; representing a small minority of the company's upstream scope 3 emissions.
- Regulatory hypothesis: the company relies on infrastructure conversion from fossil gas to renewable gas by 2045, without indicating what regulatory and market changes are needed to achieve it. The CA100+, based on Carbon Tracker analysis, finds that only 35% of Engie's operating and planned capacity are compatible with IEA's B2DS<sup>16</sup>.
- CCS: the company indicates that carbon capture and storage (CCS) plays a role in achieving its objective of 100% decarbonized gas by 2045, without any indication about CCS contribution to its 2025 and 2030 targets, or R&D and greenfield investments planned to match its objectives.

<sup>14</sup> Engie, [Accelerating the energy transition](#), p. 65-79, March 2023.

<sup>15</sup> Climate Action 100+, [Company Assessment for Engie](#), October 2022.

<sup>16</sup> Climate Action 100+, [Company Assessment for Engie](#), October 2022.

## **b. Shareholders' consultation practices**

While the company is adjusting to the increasing number of requests for information on its climate strategy, be they from shareholders or to meet legal requirements, several investors **would appreciate being consulted every three years on the transition plan and to vote annually on the implementation of the strategy in order to ensure that shareholders are given the opportunity to be consulted frequently as the company strengthens its disclosure.** Such a vote would entail the company to explain how the strategy is being implemented in practice and to share relevant information about its transition outlook.

## **III. Background information on the proposed resolution**

The purpose of this resolution is, in anticipation of the entry into force of the European disclosure regulation, to strengthen shareholder dialogue and improve the quality of sustainability information disclosed by listed companies, particularly with regard to their transition strategy and their implementation. This follows the recommendations of the Autorité des marchés financiers (AMF)<sup>17</sup> and many investors through the Forum pour l'investissement responsable (FIR).<sup>18</sup>

As the company regularly updates both its climate ambitions and the quality of its climate disclosure, the resolution **calls for a modification of the articles of association to specify that the Board of Directors of the company:**

### **a. Can consult shareholders on the company's climate strategy and its proper implementation through two Say on Climate votes:**

- A consultative vote on the company's climate strategy every three years. Should the company make significant changes to such climate transition strategy within this period, this vote can be submitted to the next closest General Meeting of Shareholders after these changes.
- An annual consultative vote on the progress report of the company's climate transition strategy implementation over the past year.

### **b. Can decide to publish a report on the climate publish the following reports:**

- A company's climate strategy consistent with the purpose of the company referred to in Article 2 – Purpose ("raison d'être"), enabling the shareholders to assess it against a climate scenario limiting global warming to 1.5°C above pre-industrial levels, with low or no overshoot and with limited use of negative emission technologies (also called carbon dioxide removal).
- A progress report of the above-mentioned company's climate strategy implementation over the past fiscal year."

In line with views expressed in the recent report by the Haut Comité Juridique de la Place Financière de Paris (HCJP)<sup>19</sup> the principle of hierarchy of powers between company bodies is respected insofar as the amendment of the Articles of Association provided for by this resolution is not prescriptive or binding and thus does not infringe on the prerogatives of the management or the Board of Directors. Most of the additional information investors would require to gauge the company's climate strategy against a 1.5°C scenario is in the DRAFT European Sustainability Reporting Standards ESRS E1 published in November 2022.

<sup>17</sup> "More generally, with a view to the entry into force of the new European non-financial reporting framework and in particular the new reporting standards based on the CSRD, the AMF as of now calls on listed companies to take these new requirements into account, insofar as possible, in the preparation of their non-financial reporting and their climate strategy." (AMF, [Shareholder dialogue on environmental and climate issues](#), March 2023).

<sup>18</sup> 46 asset owners, asset managers, stakeholders of the financial industry and the French Sustainable Investment Forum (FIR), [Shareholder engagement can lead to real progress on climate](#), March 2023.

<sup>19</sup> HCJP, [Rapport sur les résolutions climatiques « Say on climate »](#), footnote 71, December 2022



In line with the upcoming European regulation. Such reports could contain, inter alia, the following indicators:

- a. Short- and medium-term greenhouse gas emissions reduction targets on Scopes 1, 2 and 3, expressed in intensity and/or absolute terms, encompassing all its activities.
- b. Short- and medium-term capital expenditure (Capex) plans disaggregated by activity, type of energy (with a split between fossil and green gases) and by orientation between maintenance and development of the company's assets.
- c. Targeted sales energy mix and production volume evolution for the short-, medium- and long-term.
- d. Energy storage targets for the short-, medium- and long-term.
- e. An indication of the percentage of current and developed gas infrastructures that are likely to be used for green gases, considering chemical differences as well as geographies;
- f. Baseline scenario used to set the abovementioned targets and the explanation on how it considers the best available scientific knowledge.
- g. Volume and cost assumptions for nascent technologies such as biomethane, hydrogen, carbon capture, utilization and storage.
- h. Third-party estimated greenhouse gas emissions relating to Liquefied Natural Gas imports.
- i. Possible contribution of captured greenhouse gas volumes to achieving each of the greenhouse gas emissions reduction targets.
- j. Carbon offsetting approaches that may be implemented to complement the greenhouses gas emissions reduction targets.

### **Board of directors' position**

The Board of Directors **recommends a vote against** this resolution for the following reasons:

- Since it adopts a transparent approach to its climate commitments and consults with its shareholders thereon, the Group already put its energy transition strategy to the Shareholders' Meeting of April 21, 2022 and has improved the information set out in the TCFD report that features in its integrated report.
- In compliance with the AFEP-MEDEF Code updated in December 2022, which recommends that *"the climate strategy [...] and the main actions undertaken to this end [...] be presented to the general shareholders' meeting at least every three years, or in the event of a significant change in the strategy,"* ENGIE undertakes to consult its shareholders about its climate strategy every three years or in the event of a significant change thereto.
- Furthermore, ENGIE intends to submit an annual report to, and hold a discussion during, the Shareholders' Meeting. However, ENGIE is reluctant to implement an annual vote on the implementation of its strategy insofar as, although the carbon trajectory is being managed very clearly in accordance with the SBTi-certified "well below 2°C" strategy, changes from one year to the next also depend on circumstantial factors, such as temperature and the availability of various methods of generating electricity, that make analysis difficult. By doing so, ENGIE is complying with the AMF's recommendation from its press release of March 8, 2023, which invites issuers to communicate regarding their climate strategy in the form of an agenda item with discussion during shareholders' meetings.



- Lastly, the reporting format is likely to change, particularly once the Corporate Sustainability Reporting Directive (CSRD) of December 14, 2022 has been implemented, but also because of our ongoing commitment to better understanding our shareholders' expectations and our desire to propose content and format for this reporting that reflects these expectations as much as possible.
- We therefore believe that ENGIE has responded to most of the concerns expressed by the investors who tabled this resolution. The Board also notes that Article 1835 of the French Civil Code makes provision for a company's bylaws determining how it operates. The Bylaws are not the place to provide details on the content of reports that the Company may present to its shareholders, nor are they the place to set out the purpose of any resolutions put to a vote at the Shareholders' Meeting. Moreover, the Board organized this vote in 2022, with the lack of a specific provision in the Bylaws providing no impediment.