ESG risks disclosure – EGM
September 2024

This ESG risks disclosure is issued pursuant to Article 53 of Regulation (EU) 2019/2033 and covers Environmental, Social and Governance (ESG) risks which may affect the operations of Engie Global Markets ("**EGM**").

1. Definition of ESG risks

The European Banking Authority ("**EBA**") has defined ESG risks as any negative financial impact on the institution stemming from the current or prospective impacts of ESG factors on its counterparties or invested assets.[1] The ESG risks definitions provided by the EBA are as follows:

- Environmental factors are related to the quality and functioning of the natural environment and of natural systems, and include factors such as climate change, biodiversity, energy consumption, pollution and waste management. Environmental risks should be understood as the financial risks posed by an institution's exposures to counterparties or invested assets that may potentially be affected by or contribute to the negative impacts of environmental factors, such as climate change and other forms of environmental degradation (e.g. air pollution, water pollution, scarcity of fresh water, land contamination, biodiversity loss and deforestation), in addition to corrective policy actions aimed at addressing such factors. Environmental risks can give rise to negative financial impacts through a variety of risk drivers that can be categorised as physical risks and transition risks.

- Social factors are related to the rights, well-being and interests of people and communities, and include factors such as (in)equality, health, inclusiveness, labour relations, workplace health and safety, human capital and communities. Social risks can be defined as social matters that may have a positive or negative impact on the financial performance or solvency of an entity.

- Governance factors cover governance practices, including executive leadership, executive pay, audits, internal controls, tax avoidance, board independence, shareholder rights, corruption and bribery, and also the way in which companies or entities include environmental and social factors in their policies and procedures. Governance risks can be defined as governance matters that may have a positive or negative impact on the financial performance or solvency of an entity.

2. Identification, assessment and management of ESG risks at EGM

EGM is committed to provide energy trading and investment services while preventing or mitigating the ESG risks related to these activities.

[1] https://www.eba.europa.eu/sites/default/files/document_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf

Currently, EGM's trading activities are subject to ENGIE Group's reporting rules and governance, as part of the deployment of ENGIE's Vigilance Plan which covers the Group's Human Rights**,** Health & Safety vigilance and ESG vigilance approach.

EGM is also subject to ENGIE's various environmental and social policies and procedures and Corporate Social Responsibility policies.

EGM is also covered by ENGIE's integrated report 2024 which includes a review on transition risks (climate mitigation) and physical risks (climate adaptation).

EGM aims to do only business with counterparties that meet the same commitments when it comes to human rights, fundamental freedoms, health and safety, climate change mitigation/adaptation and protecting the environment. The ESG due diligence process, which is part of the full Know Your Customer (KYC) process, addresses risks at country, industry, counterparty and supply chain level. The risks are documented and evaluated on a regular basis. The ESG risks are assessed in relation to the terms of the envisaged transaction to better encompass ESG's purpose and strategy which is grounded in sustainability pillars which consists of the environmental and social pillars.

This ESG assessment is based on predefined ESG criteria which includes e.g. human rights (forced labor, child labor), rights of local communities and indigenous populations, health and safety of workers and local communities, climate change, water scarcity and quality, air, water and soil pollution and biodiversity.

Furthermore, as part of EGM's regulatory obligation to set up a preventive recovery plan pursuant to BRRD[2], hypothetical stress scenarios were established including a scenario measuring the sensitivity of EGM's financial performance and solvency to environmental and climate related risks.

[2] Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended).