CLIMATE GOVERNANCE AND STRATEGY

GOVERNANCE

Board oversight

The board's governance and nominating committee maintains formal review of our climate change strategies and policies. The full board received quarterly updates on climate and sustainability initiatives throughout 2020. At our board's request, we held a board climate strategy session in 2020. Senior leaders engaged the board on emerging climate-related risks and opportunities, business unit plans, responses and overall company performance.

An external environmental, social and governance (ESG) expert from one of the world's largest asset managers updated the board on emerging climate and ESG trends through the lens of an institutional shareholder. As an outcome of this board session, we enhanced our climate strategy by launching a corporate-wide effort to further integrate climate into our business and strategy.

Executive oversight

Under the formal oversight of our board of directors, our executive leaders are directly responsible for identifying, assessing and managing climate-related risks and opportunities, and implementing our climate strategy. The SVP of corporate development and strategy and SVP of policy, government and public affairs (PGPA) lead the development and execution of our climate strategy. Executives across our business functions, including our chief financial officer, chief commercial officer, executive vice president of worldwide trading, and the SVP of operations — who maintains responsibility for monitoring and managing our emissions footprint — help guide this effort. Our executive leadership reports directly to our CEO on climate strategy and planning on a regular basis. In 2021, an ESG metric will account for 10% of the total performance scorecard weighting as part of our annual cash bonuses. Including ESG as one of our strategic metrics for 2021 illustrates our company-wide commitment to these important issues.

STRATEGY

We believe that Cheniere's LNG has a net positive impact on global emissions, helping to meet growing energy demand, supporting the energy transition by displacing more carbon-intensive fossil fuels, and enabling further adoption of renewables. As a result, we expect LNG demand to continue to grow for decades. In addition, we are using our unique position in the industry — building on our relationships with gas producers, LNG customers, shipping owners and others — to help reduce the carbon footprint of our value chain.

We aim not only to remain economically competitive compared to other global natural gas suppliers, but also environmentally competitive. In 2020, we launched a comprehensive initiative to further integrate climate considerations into our corporate strategic priorities. Built around our Climate and Sustainability Principles, this integration effort is focused on identifying, assessing and managing strategic risks and opportunities across all parts of our organization and our value chain. The primary goals of this effort are to improve environmental performance, strengthen the long-term resilience of our company and help ensure that our LNG continues to provide climate benefits to our customers.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We view the recommendations of the TCFD as a global standard for climate disclosure and have strengthened alignment of our disclosures with the TCFD framework surrounding its four key themes: Governance, Strategy, Risk Management, Metrics and Targets. The remainder of this section responds to the TCFD reporting recommendations, and our *TCFD Index* provides additional relevant sources and details our level of alignment with each recommendation.

"Cheniere has been a leading driver within Collaboratory to Advance Methane Science (CAMS) in supporting our first-of-a-kind research project to measure total methane emissions from an LNG carrier vessel. This project will give us the know-how to develop a much stronger understanding of the climate impact of LNG and how to mitigate it, and Cheniere has been a critical component in both funding and providing expertise on shipping logistics."

– Dr. Paul Balcombe, Queen Mary University of London

OUR CLIMATE STRATEGY IS BASED ON THE FOUR PILLARS OF OUR CLIMATE AND SUSTAINABILITY PRINCIPLES:

Supply chain

We are working to leverage our position to improve environmental performance across our supply chain. In 2020, we continued to increase transparency on the GHG emissions footprint of our supply chain through expanded engagements with our gas suppliers and shipping partners. We also advanced our assessment of the lifecycle emissions of the LNG we supply. We believe that the data gathered in these initiatives will support the advancement of robust, science-based policies. To that end, we recently announced that beginning in 2022, we intend to provide our long-term customers with *Cargo Emissions (CE) Tags* that will provide estimated GHG emissions associated with each LNG cargo, from the wellhead to the delivery point. The CE Tag will be calculated using our lifecycle analysis model, which is built upon the U.S. Department of Energy's framework but is customized for our value chain, utilizing data from our gas suppliers, LNG transporters and liquefaction facilities. We also host an annual gas supplier workshop with our upstream producer partners, at which we reiterate the importance of climate and sustainability. We collaboratively share best practices and data, and encourage proactive measures to monitor, report and mitigate emissions. The U.S. natural gas industry has already taken steps to improve its emissions transparency and voluntarily reduce methane emissions. In fact, approximately 70% of the gas volumes we purchased in 2020 came from companies committed to a voluntary methane emissions reduction target. Moreover, in early 2021, we launched a new initiative with our suppliers to further enhance the management of GHG emissions and support emissions QMRV, a critical step in addressing GHG emissions. In addition, to reduce LNG shipping emissions, when considering our term shipping requirements, Cheniere Marketing (CMI) seeks to charter vessels with the most efficient propulsion and containment systems, where feasible.[24] In May 2021, Cheniere and Shell worked together to *offset the full lifecycle GHG emissions* associated with a cargo of LNG, by retiring nature-based offsets to account for the estimated CO_2e emissions produced through the entire value chain, from production through use by the final consumer. We're focused on measuring, reducing and mitigating emissions, and this first carbon neutral cargo for Cheniere highlights our efforts to measure and mitigate emissions throughout the LNG value chain.

Science

We base our climate strategy and decisions on the best available science. We are analyzing our lifecycle GHG emissions to identify and assess climate-related risks and opportunities across our value chain, with the strategic goals of supporting the resiliency of our LNG and promoting transparency, avoidance and reduction in our GHG footprint. As a co-founder of CAMS,[25] we are also advancing peer-reviewed research to enhance understanding of the natural gas industry's climate impacts and opportunities. This includes supporting several studies to better understand emissions profiles across the LNG value chain, including the first-ever *onboard assessment* of emissions from LNG vessels, which will be led by Queen Mary University of London.[26] We are also establishing a *new research and development (R&D) project* with selected gas producers to assess emission performance and QMRV, and the scalability of the novel emissions monitoring methods.

Transparency

Our efforts to advance the measurement and quantification of emissions data will increase transparency across our value chain. Transparent communication and engagement with our stakeholders are also key priorities. This CR report, which was developed based on direct engagement with — and feedback from — our stakeholders, is our primary vehicle for climate-related disclosures. Since issuing our inaugural 2019 CR report, we have strengthened our alignment with the TCFD recommendations and published a Climate Scenario Analysis to communicate the resilience of Cheniere's business under various climate scenarios.

Operational excellence

We integrate emissions reductions and efficiency improvements in our own operational design. Indeed, we are assessing the economic and operational feasibility of GHG management solutions at our Sabine Pass and Corpus Christi facilities in Louisiana and Texas.

> "We're at the nexus of our upstream suppliers in North America and our customers around the world. We believe that, because of that position, we have a responsibility and commercial incentive to support and encourage efforts to increase the monitoring, reporting and verification, as well as mitigation, of methane emissions to maximize the climate benefits of LNG for our customers."
> *– Anatol Feygin, Executive Vice President and Chief Commercial Officer*

CASE STUDY

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Managing GHG emissions across the value chain

24. Cheniere considers the most efficient vessels available to include vessels that are not less than 173,400 cubic-meter vessels with two-stroke propulsion systems, which include XDF or MEGI vessels. XDF refers to vessels with low-pressure dual-fuel (LPDF), two-stroke engines. MEGI (main engine gas injection) refers to vessels with high-pressure dual-fuel (HPDF), two-stroke engines.
25. Collaboratory to Advance Methane Science (CAMS) (2021), https://methanecollaboratory.com/. **26.** CAMS, Research Opportunities (2021), https://methanecollaboratory.com/research-opportunities/.