# HOW TO VOTE AT TOTALENERGIES' AGM

## A briefing for climate-conscious investors

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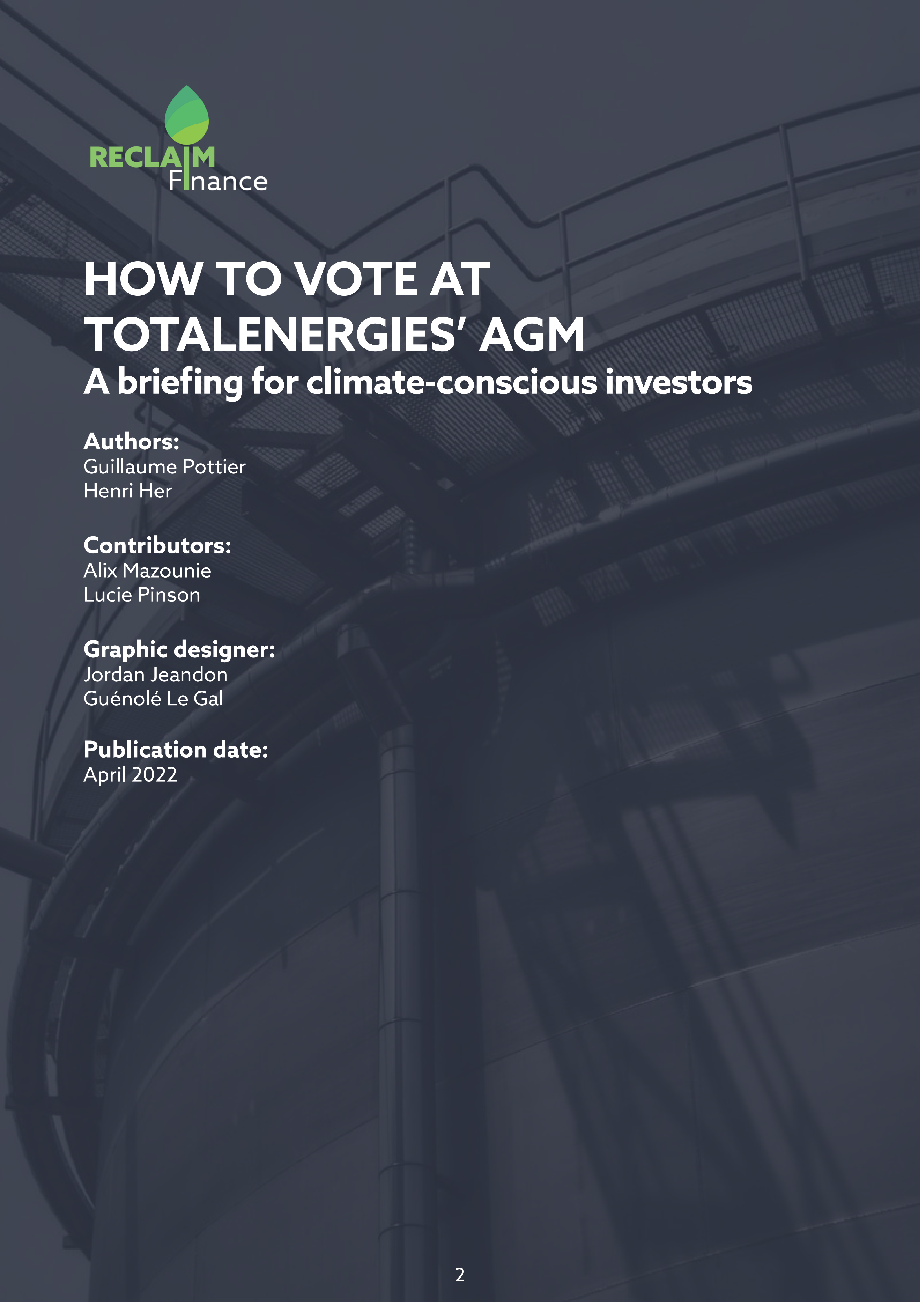

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## A briefing for climate-conscious investors


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# EXECUTIVE SUMMARY

**The French oil & gas company TotalEnergies will hold its Annual General Meeting (AGM) on May 25th 2022.** As the largest greenhouse gas emitter in the CAC40 and one of the seven oil and gas supermajors, TotalEnergies is one of the few companies in the world whose climate transition (or lack thereof) in the coming years will have a determining impact on our collective ability to limit global warming to +1.5°C.

**TotalEnergies' investors have both a key interest and a crucial responsibility to ensure that the company swiftly aligns on a 1.5°C-compatible pathway.** In addition to robust exclusion policies, shareholder engagement is an important tool to reach this objective. However, engagement and voting records over the past years show that investors have mostly failed to push oil and gas companies to endorse strong climate action.

**TotalEnergie's 2022 AGM offers a unique opportunity for investors to demonstrate that they are serious about engaging oil and gas companies, and willing to translate their pro-engagement rhetoric into concrete actions and votes.** Indeed, climate issues will feature high on the agenda, with at least one resolution dealing with TotalEnergies' climate strategy and targets - one sponsored by the management and two filed by shareholders. A number of other ballot items are also very relevant to send specific messages on climate, this is especially the case regarding the reappointment of three prominent Directors who have a direct responsibility in validating and overseeing implementation of the TotalEnergies' climate strategy.

**This briefing provides investors with detailed analyses and comprehensive voting recommendations to push TotalEnergies to align as fast as possible on a 1.5°C pathway.**

**Key recommendations for climate-conscious investors:**

- **Vote against TotalEnergies' management-sponsored "Say on Climate" resolution.** The climate plan presented by the company is both incomplete and incompatible with a 1.5°C pathway. This is especially important since the two shareholder resolutions on climate that had been filed initially will not be voted on during the AGM: One of them has been withdrawn and the other one has been unilaterally withdrawn by TotalEnergies.
- **Send a strong message on oil & gas expansion, by opposing the reappointment of Directors until TotalEnergies commit to stop developing new fossil production and infrastructure projects.** "Say on Climate" votes take time to generate changes and are, by definition, non-binding. Therefore, investors should use more direct tools to press for short-term climate action on key topics. Opposing the reappointment of Directors is the most effective way to signal that investors do not approve the company's expansionist strategy.
- **Embed climate in all other votes:** While securing a 1.5°C-aligned climate strategy and targets, and obtaining that TotalEnergies stop oil & gas expansion should be the two priorities for engagement & voting, it is also important to consider climate-related factors for all other votes. Faced with TotalEnergies' failure to adequately integrate climate in its accounts, remuneration or lobbying policy, climate-conscious investors should consider opposing specific resolutions based on specific asks and rationales.

# AGENDA OF TOTALENERGIES' AGM

Vote for a complete and ambitious climate plan

## Climate-focused resolutions

Vote against — TotalEnergies' climate plan

Vote for — Shareholder resolutions on climate

Sanction oil & gas expansion

## Reappointment of Directors

Vote against — L. Croteau; M. Van der Hoeven; J. Lemierre

Ensure climate is integrated all items

## Financials | Remuneration | Auditors

Vote against or abstain based on your engagement priorities — Financial statements; Remuneration policy; Renewal of EY

Ask written questions on lobbying practices


*"No new oil and gas fields are required beyond those already approved for development."*

IEA, WEO 2021

# 1. ENSURING A CREDIBLE AND 1.5°C-ALIGNED CLIMATE PLAN

## a. In 2021, TotalEnergies released a flawed climate plan

**The climate report on which TotalEnergies proposes to consult its shareholders in 2022 builds on the climate ambition and targets approved by the AGM in 2021.** Thus, it is important to recall **i)** that this ambition was incomplete and incompatible with a 1.5°C pathway; **ii)** that its implementation over 2015 – 2021 did not lead to any material reduction in TotalEnergies' GHG emissions.

**First of all, the targets in TotalEnergies' current climate plan (adopted in 2021) are not sufficient to limit global warming to 1.5°C.**[1] Even under conservative assumptions,[2] this "climate ambition" led the company to emit at least 31.8% GHG in excess compared to its 1.5°C-compatible carbon budget. Indeed, its short-term strategic choices (+20% oil & gas production between 2016 and 2024, first developer of new oil & gas field among European majors, >75% of near-term CAPEX dedicated to oil & gas) led it to overshoot its carbon budget to 2050 as soon as 2035. The limitations of TotalEnergies' plan have been recognized by 34 investors, through a public statement issued ahead of the 2021 AGM.

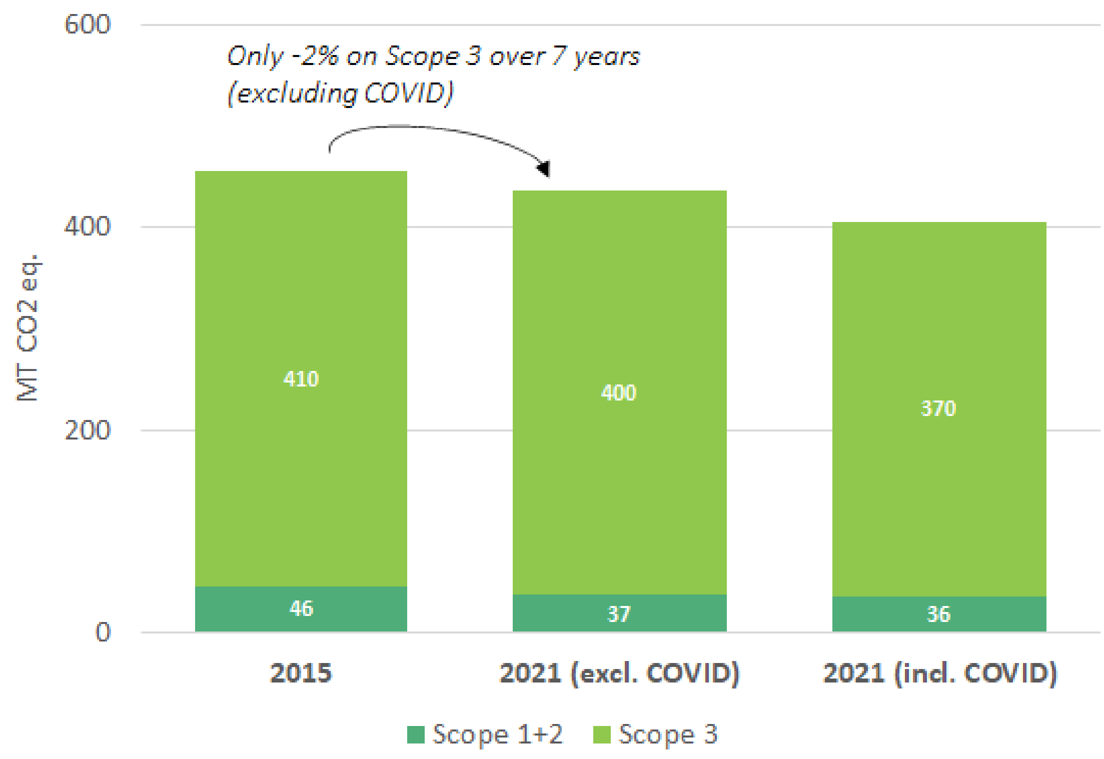
**Secondly, TotalEnergies did not manage to substantially decrease its emissions from 2015 to 2021** (see Figure 1).[3] Across all scopes, the company emitted 456 Mt CO2 eq. in 2015 and 437 Mt CO2 eq. in 2021, representing a mere -4% decrease over 7 years. The decrease on Scope 3 emissions - which represent the bulk of TotalEnergies' emissions - was even more modest, only -2% over the same period.

**Results from the Climate Action 100+ "Net Zero Company Benchmark" confirm that TotalEnergies' climate plan, prior to the updates proposed to the next AGM, was very weak and incomplete.** The French major only complies with three out of the ten disclosure criteria assessed by CA100+[4] (see Fig. 2). Moreover, those three criteria only measure distant pledges (its "net zero ambition" by 2050) or indirect enabling factors that are not by themselves a proof of its transition (climate governance). While CA100+ finds that TotalEnergie's long-term GHG reduction target is aligned on a 1.5°C, this result is based on a highly disputable methodology and should not be taken at face value by investors (see Box n°1). On the other hand, the TotalEnergies does not satisfy the most important criteria: It does not provide 1.5°C-aligned GHG emissions reduction targets in the short- and medium-term and it has no credible commitment to decarbonize its capital expenditures (CAPEX).

**As for disclosure criteria, alignment indicators also show that TotalEnergies' pre-AGM climate plan was not compatible with a 1.5°C pathway.** CA100+ finds that the company's CAPEX for 2020 were not consistent with the International Energy Agency's "Below 2°C" scenario (let alone a 1.5°C scenario) and TotalEnergies displays one of the highest level of investments inconsistent with <2°C in 2019 among European companies ($3.2 billion, only topped Gazprom, Shell, and OMV). As regards future investments, 50% of the company's 2021 - 2030 planned CAPEX are also deemed incompatible with a <2°C objective (compared to 41% for Eni or 36% for Repsol).

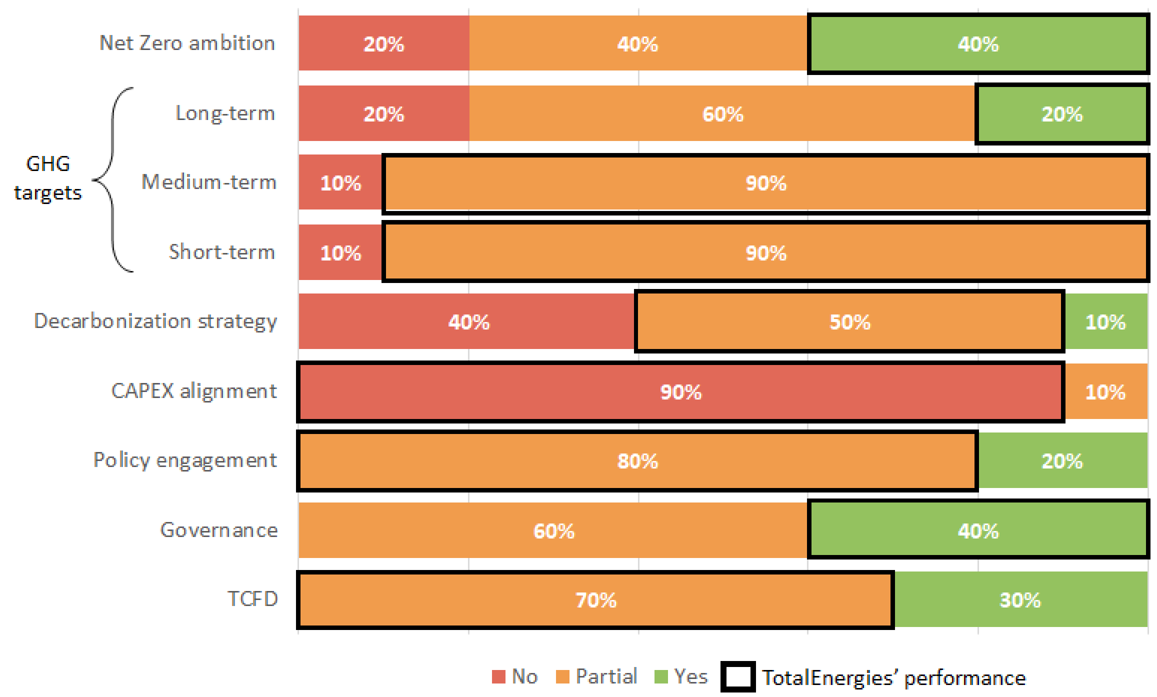


### Figure 1: Change in TotalEnergies' GHG emissions, 2015 - 2021




*Source: TotalEnergies, Sustainability and Climate Progress Report, p.45*

### Figure 2: TotalEnergies' performance in the Net Zero Company Benchmark




*Source: CA100+ Net Zero Company Benchmark, European oil & gas companies*

## Box n°1: Why TPI considers that TotalEnergies is aligned on 1.5°C and why investors should not take it at face value.

In its Sustainability and Climate Report, TotalEnergies' CEO claims that *"the Transition Pathway Initiative (TPI) announced that TotalEnergies is one of three oil and gas firms that have set emissions reduction targets that are ambitious enough to reach net zero by 2050 and to align with TPI's 1.5°C benchmark"*.[5] Indeed, TPI does consider that the company's carbon intensity is predicted to converge with a 1.5°C pathway in 2047.

However, this finding must be taken with extreme caution. TotalEnergies' communication around it is misleading and TPI's analysis suffers from several methodological limitations:

- TPI declares a company aligned as soon as the carbon intensity of the company falls below the carbon intensity level allowed by the IEA scenario that same year. As opposed to stock- based methodologies, TPI's approach, centered only on carbon intensity, does not consider excess GHG emissions and fossil production stocks built up by Total between today and 2047.
- TPI's own analysis shows that TotalEnergies projects to reach net zero carbon intensity only by 2047. Until 2047, TPI's data clearly indicate that carbon intensity levels remain high. This is part of the reason why TotalEnergies cannot be deemed "aligned" in our methodology.

## b. TotalEnergies' 2022 Say on Climate: incomplete and incompatible with 1.5°C

**Compared to its 2021 climate plan, TotalEnergies' 2022 announcement contains few additional commitments: i)** a phased target for reducing methane emissions (50% from 2020 levels by 2025 and 80% from 2020 levels by 2030), to move towards net zero methane); **ii)** an objective to reduce GHG emissions related to sales of petroleum products (Scope 3 oil) by 30% in 2030, compared to 2015 levels.

All other targets remain unchanged (see Fig. 3 for a summary table), even some additional details are provided regarding the operationalization of the company's commitment to reduce its global scope 3 emissions in 2030 below 2015 levels (<400 Mt CO2 eq.). It is worth noting that **TotalEnergies still has no target for 2025 regarding absolute Scope 3 emissions:** 2020-2030 is the critical decade that will make or break the Paris Agreement, but the French major does not offer any intermediary targets or milestones to ensure that its distant commitments will translate into real, short-term action.



**Figure 3 - Summary of TotalEnergies' climate targets**

| Scope | Target | New commitment? |
|---|---|---|
| Scope 1+2, absolute, 2015 baseline | -15% in 2025, -40% in 2030 | No |
| Scope 1+2+3, absolute, 2015 baseline | Lower in 2030 | No* |
| Scope 1+2+3, carbon intensity of sold energy products, 2015 baseline | -20% in 2030 | No |
| Scope 1+2+3, absolute, 2015 baseline, **only in Europe** | -30% in 2030 | No |
| Scope 1+2+3, absolute, **only on the sale of oil products** | -30% in 2030 | Yes |
| Scope 1+2, absolute, 2020 baseline, **only on methane** | -50% in 2025, -80% in 2030 | Yes |

** Even if this is partially quantified in the new plan (<400 Mt CO2 eq.) but TotalEnergies explicitly mention this is not a new target (p. 45 of the report)*
***Red*** *= limited perimeters*
*Source: TotalEnergies, Sustainability and Climate Progress Report, p. 45*

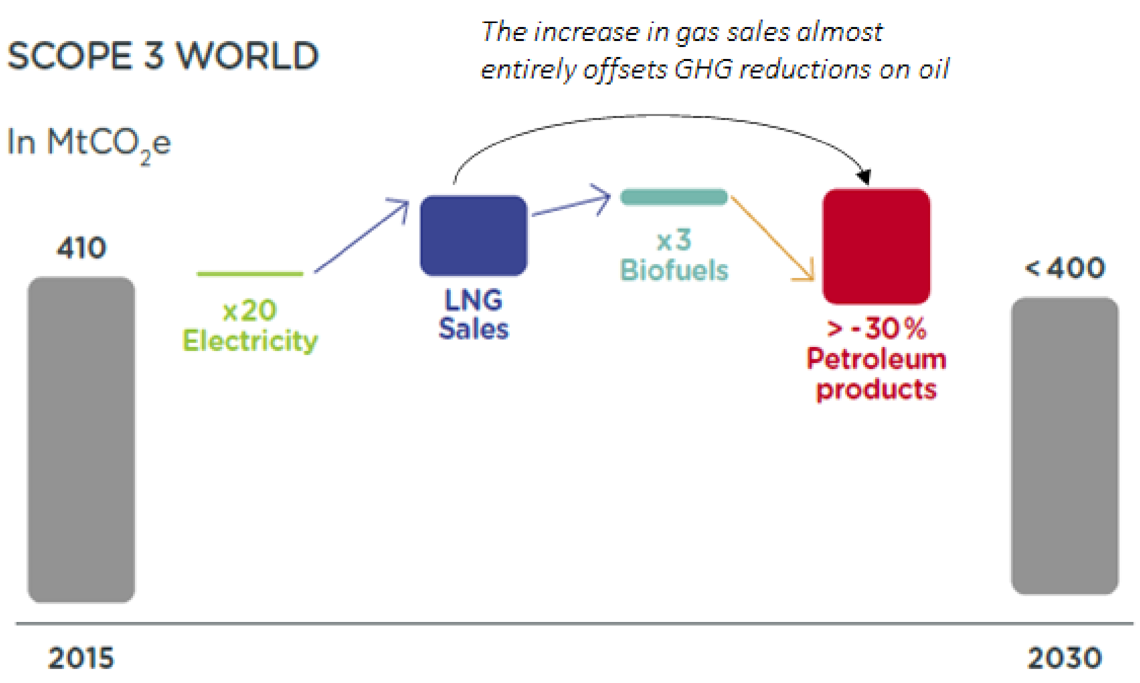
**TotalEnergies pursues its strategy of announcing micro-commitments on limited perimeters to avoid taking ambitious steps on the overall reduction of emissions across all scopes:**

- At a first glance, the company's new -30% target on Scope 3 oil seems ambitious. This objective is less impressive than it sounds since TotalEnergie's plans to ramp-up fossil gas production will cancel out its efforts on oil. From 2015 to 2021, the decrease in emissions from oil almost matched the increase in emissions from fossil gas (which almost doubled over the period, see Fig. 4). The same is set to happen from 2015 to 2030: TotalEnergies plans to increase its LNG sales by 362% while its oil production will only decrease by 42%. In addition, TotalEnergies' oil production is set to increase until 2025 and remain high until 2030 (1.4 Mb/day). Therefore, reducing emissions only from oil does not materially reduce the group's total emissions.
- TotalEnergies announces an ambitious target to reduce its methane emissions by 80% between 2021 and 2030, consistent with the IEA recommendations and European targets. However, this effort should be put into perspective because methane emissions related to operations and equities represent less than 1% of the company's total emissions.

**All in all, for all scope 1, 2 and 3 emissions, TotalEnergies' emissions will decrease by a mere 5.8% to 6.7% over a 15-year period (2015 – 2030).** This contrasts sharply with the imperative of halving global emissions by 2030 in order to stay on a 1.5°C pathway. On an annualized basis, the French company's decarbonization effort appears even more anecdotal: -0.5% per annum from 2015 to 2030 and -0.3% p.a. from 2021 onwards (excluding the impact of COVID). Accounting for the impact of COVID, TotalEnergies could even increase its absolute emissions by 0.5% each year and still meet its unambitious targets (from 406 Mt CO2 eq. to 425 Mt CO2 eq.).

**It is also worth noting that TotalEnergies increases the share of Carbon Capture and Storage and offsetting in its climate plan.** By 2030, the major plans to capture 10 Mt p.a. via technological solutions and 5 Mt via "nature-based" solutions. The company also plans to develop CCS for its gas power plants. By 2050, TotalEnergies' CCS would reach 110 Mt per year, the equivalent of 25% of its current

**Figure 4: Changes in TotalEnergies' emissions, by types of business**




*Source: TotalEnergies, Sustainability and Climate Progress Report, p. 39*

CO2 emission (447 Mt in 2020 and 2021). This massive volume of negative emissions also relies on highly criticized "avoided emissions": between 25 and 50 Mt of the total amount of carbon captured by 2050 would be used to produce new fuel that will release as much carbon into the atmosphere but is nonetheless considered as offset by TotalEnergies.

**Finally, TotalEnergies' investment strategy remains unchanged: 70% of capital expenditures remain focused on oil & gas,** of which 20% dedicated to exploration and investments in new projects. This is in clear contradiction with the IEA's Net Zero Emission (NZE) scenario findings that there is no room for new oil & gas fields in a 1.5°C pathway. CAPEX allocation is the key criteria with the most material impact on a company's short-to-medium term ability to decarbonize. Therefore, TotalEnergies' failure to comply with the findings of the NZE should be a sufficiently alarming red flag to make investors vote against the company's climate plan. However, the issue of oil & gas expansion is too important to be left to a non-binding "Say on Climate" vote: it should be dealt with separately, with a clear demand and a specific escalation strategy targeting Directors (see. Section 2 below).

## c. Investors have stepped up with ambitious shareholder resolutions

**Faced with TotalEnergies' inadequate climate plan, two groups of investors have filed shareholder resolutions asking the French major to improve both the content and the ambition of its climate plan.**

**The first resolution, filed by a group of 11 investors,[6] asks TotalEnergies to set and publish targets that are consistent with the goal of the Paris Climate Agreement:** to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. The resolution asks the French major to set such targets over the short-, medium-, and long-term across all scopes (including Scope 3).

**The second resolution, filed by a group of 12 investors,[7] calls on TotalEnergies to set-up a credible and complete Say on Climate mechanism,** including a detailed list of climate criteria and targets to more easily assess the alignment of the company's strategy on a 1.5°C scenario with no or low overshoot and limited negative emissions. According to these investors' public communication,[8] the list of criteria contains, among others: **i)** short-term and medium-term GHG emissions reduction targets on Scopes 1, 2, 3, expressed in both absolute- and intensity-terms, **ii)** targeted energy mix and production volume evolution over the short- and medium-term, **iii)** short- and medium-term capital expenditure plans disaggregated by activity and by orientation between maintenance and development of the company's assets.

**The two shareholder resolutions nicely complement each other and directly address the shortcomings of TotalEnergies' own plan[9] :**

- The first resolution focuses the low level of ambition of TotalEnergies' plan, by explicitly asking the company to set targets aligned on the Paris Agreement. It puts a direct responsibility on TotalEnergies and clearly sends the signal that it is not sufficient that the company sets some targets if these targets are not compatible with the climate emergency.
- The second resolution operates at a more structural level. It does not force the company to adopt *ex ante* a 1.5°C-aligned plan but it demands the company to present a climate plan following a very detailed framework and to provide shareholders with the opportunity to vote on this plan on an annual basis. In that sense, this resolution puts both the company and its investors in front of their responsibilities: presented with a plan that is clearly not aligned, investors would have to vote against it to have the company align its plan *ex post*.

Following the filing of the second resolution, **TotalEnergies has made several new commitments regarding the content of its climate plan and the consultation of shareholders, leading investors to withdraw the "Say on Climate" resolution.**[10] TotalEnergies notably committed to:

- Setting short- (2025) and medium-term (2030) GHG targets across all scopes, in absolute terms.
- Providing short- and medium-term investment plans broken down by sector and by orientation between maintenance and growth of the company's assets.
- Consulting its shareholders annually on TotalEnergies' climate strategy and its implementation, through an advisory vote.

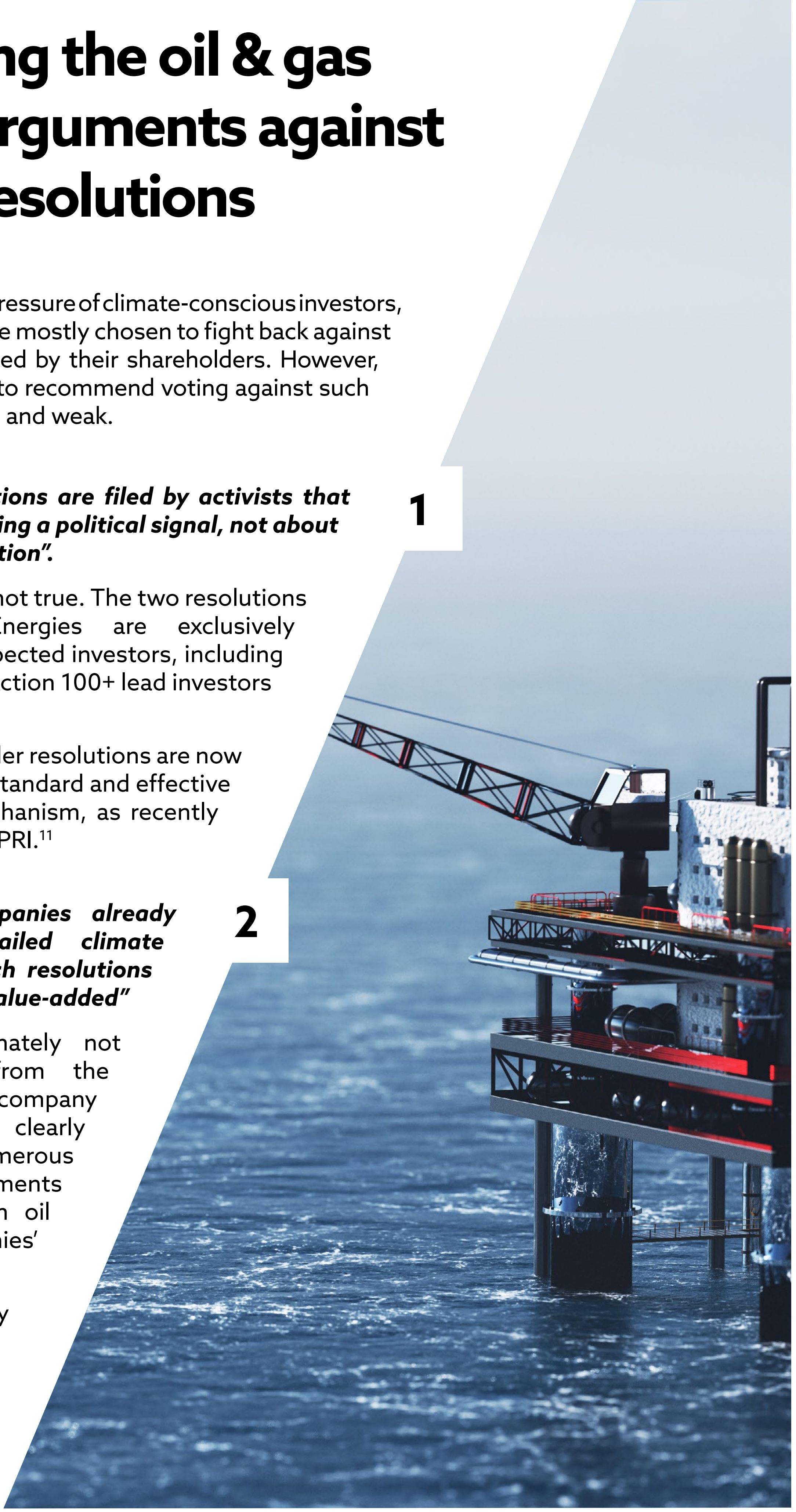
**While these are welcome improvements** - and a clear proof that filing resolutions is an effective tool to obtain results - **they fall short of addressing the many problems of TotalEnergies' climate plan:**

- The company proposes to assess its targets "*with regard to the implementation of the Paris Agreement*" and does not plan to confront its climate plan to a 1.5°C scenario with no or low overshoot and a limited volume of negative emissions, as was demanded in the resolution filed by investors. This is absolutely key since the Paris Agreement does not refer to a precise scenario but only to the overall objective of limiting global warming "*well below 2°C*". This is especially important since TotalEnergies' understanding and use of science-based climate scenarios is problematic (see Section 2.b).
- The company does not plan to modify its Articles of association to formally include a "Say on Climate". Thus, the company sticks to an ad hoc approach and fails to establish a new and stable corporate governance mechanism on climate.
- Finally, TotalEnergies does not appear to retroactively include those new commitments in its 2022 climate plan. For example, the 2022 plan does not include a 2025 GHG target in absolute terms for Scope 3 emissions. Since the major's new commitments imply that a complete climate plan must include such a target, it means that TotalEnergies asks its shareholders to approve a plan that the company itself considers incomplete.

**On the 24th of April, TotalEnergies finally announced its decision to reject the second resolution.** This TotalEnergies will be one of the few oil & gas majors with no votes on shareholder resolutions this year. This makes voting against the company's uncomplete and unambitious climate plan even more important.

# Debunking the oil & gas majors' arguments against climate resolutions

Under the increasing pressure of climate-conscious investors, oil and gas majors have mostly chosen to fight back against climate resolutions filed by their shareholders. However, their usual argument to recommend voting against such resolutions are biased and weak.



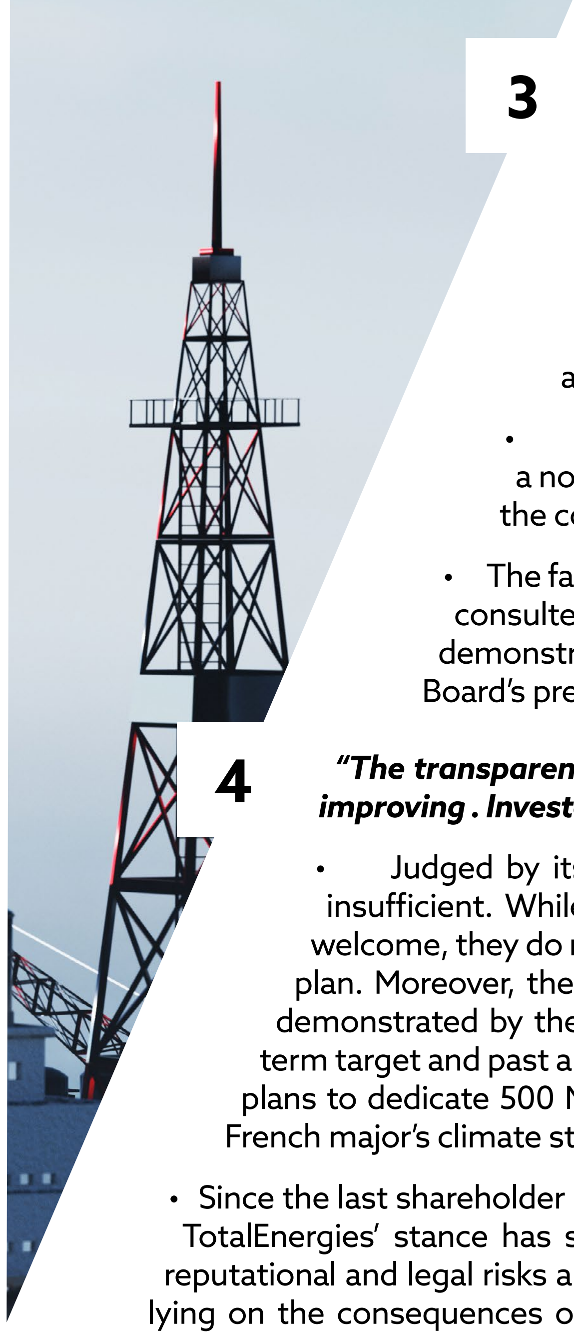
**1** ***"Shareholder resolutions are filed by activists that only care about sending a political signal, not about the company's transition".***

- This argument is not true. The two resolutions filed at TotalEnergies are exclusively supported by respected investors, including the two Climate Action 100+ lead investors for TotalEnergies.
- Climate shareholder resolutions are now widely seen as a standard and effective engagement mechanism, as recently confirmed by the PRI.[11]

**2** ***"Oil and gas companies already disclose very detailed climate information and such resolutions do not provide real value-added"***

- This is unfortunately not true. Results from the CA100+ Net Zero company benchmark clearly indicate that numerous important elements are missing from oil and gas companies' climate plans.
- This is particularly the case for TotalEnergies (see sections 1.a and 1.b).



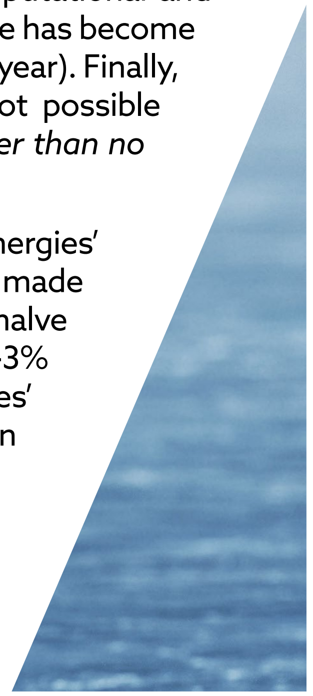


**3** ***"Shareholders are not responsible for setting the company's strategy. Therefore, binding shareholder votes on a climate strategy micromanages the company and".***

- While the French legal environment is indeed unclear about the admissibility of shareholder resolutions, multiple independent analyses have demonstrated they are legally admissible. [12]
- "Say on Climate" resolutions ask the companies to set up a non-binding advisory vote on its climate plan without forcing the company to align *ex ante* on a given set of objectives.
- The fact that a number of French companies have spontaneously consulted their shareholders through such mechanisms[13] *de facto* demonstrates that they do not constitute an infringement on the Board's prerogatives.

**4** ***"The transparency and level of ambition of TotalEnergies' climate plan is improving . Investors showing support could help incentivize the company".***

- Judged by its own merits, TotalEnergies' climate plan remains sorely insufficient. While the company's new commitments on transparency are welcome, they do not go far enough and are not integrated in its 2022 climate plan. Moreover, the plan is not aligned with 1.5°C (nor with <2°C), as clearly demonstrated by the CA100+ benchmark regarding both short- and medium-term target and past and future CAPEX allocation. The fact that TotalEnergies still plans to dedicate 500 M€ exploration is, by itself, sufficient to conclude that the French major's climate strategy is not compatible with 1.5°C.
- Since the last shareholder resolution was filed in 2020, the context has evolved and TotalEnergies' stance has sharply deteriorated. Climate- and sustainability-linked reputational and legal risks are mounting (see. p.16). From Russia to Uganda, from lying on the consequences of climate change since the 1970s to being sued for greenwashing in 2022, TotalEnergies is increasingly becoming a reputational and legal liability for investors. The consultation of shareholders on climate has become the norm (5 of the 6 European oil & gas majors propose such votes this year). Finally, and contrary to 2021, shareholder resolutions have been filed : It not possible anymore to vote for TotalEnergie's plan by arguing that "*any plan is better than no plan*".
- Pro-engagement investors will be held accountable. Approving TotalEnergies' plan is fundamentally incompatible with the Net Zero commitments made by most investors under GFANZ. Indeed, investors have committed to halve their portfolios' emissions by 2030 while TotalEnergies only plans for a -3% decrease of its emissions over the same period. Approving TotalEnergies' plan would be a clear indicator that investors are not credible about their own climate targets. In 2021, many pro-engagement investors such as AXA IM or Amundi had stated that they would ask more from TotalEnergies in 2022.[14] If those investors approve TotalEnergies' plan in 2022 despite the absence of improvements,[15] it will prove that they are not credible about engaging oil & gas companies.



# TOTALENERGIES' REPUTATIONAL AND LEGAL LIABILITIES

**TotalEnergies is not the corporate responsibility leader painted in the "Climate and Sustainability" on which shareholders are consulted.** Far from this image, the reality shows mounting reputational and legal risks that responsible investors should take into account before voting at TotalEnergies' next AGM.

## EACOP-Tilenga in East Africa: TotalEnergies sued over climate and human rights concerns

TotalEnergies' East African Crude Oil Pipeline (EACOP) through Uganda and Tanzania is the perfect illustration of the French major's misguided and unsustainable investment strategy:[16]

- On climate, the project is clearly incompatible with a 1.5°C scenario. It reached a final investment decision in 2022, which means that EACOP/Tilenga is a new production and transport project and does not fit in the IEA's Net Zero scenario. EACOP/Tilenga will result in 34 million extra tons of carbon emissions each year (> 1,5x the cumulated reductions in GHG emissions from operations planned by TotalEnergies from 2015 to 2030).
- As regards biodiversity, the pipeline will disturb nearly 2,000 sq. km² of protected wildlife habitats, including multiple reserves critical to the preservation of vulnerable species such as the Eastern Chimpanzee and African Elephant.
- The human rights situation is even more worrying in the short-term. Over 100,000 people will lose the land they rely on for farming and animal raising, and many will be forcibly removed from their homes. Compensation payments have suffered considerable delays and farming limitations imposed on households (requiring them to only grow seasonal crops – have already decreased their income and standard of living.

Finally, the project raises significant legal and reputational risks for both the firm and its shareholders. Legal action is ongoing both in France[17] and Uganda and pressure from civil society is mounting ahead of TotalEnergies' AGM. More than 1 million people have signed a petition to oppose this project. Moreover, 18 members of Parliament - representing seven political groups - have signed an op-ed in Le Monde, to call on TotalEnergies to definitively stop EACOP/Tilenga.[18]

To follow suit on 18 banks' and insurers' commitment not to provide financial services to EACOP, investors must step up and challenge this project using all available means (private letters, public statements, written questions at the AGM, vote against TotalEnergie's climate resolution or against other items, etc.).

## Grandpuits refinery: TotalEnergies sued by employees over unjust transition

TotalEnergie's Grandpuits refinery is set to become a «zero oil» platform. This comes with a redundancy plan impacting over 700 people. Employees have mobilized and brought the fight to court. An analysis published by several NGOs and unions demonstrate that the activities proposed by TotalEnergies to replace the refinery at Grandpuits are neither viable in the face of the cological crisis nor fair to the workers at the site. This case casts serious doubts on the company's commitment to a just transition.

## Advertising campaigns: TotalEnergies sued for greenwashing

Three NGOs[19] have filed a lawsuit against TotalEnergies, arguing that the French major "reinvention" ad campaign breaks European consumer law as it falsely portrays the company as on track to address the climate crisis.to protect the public from the oil giant's misleading claims on alleged environmental virtues of fossil gas and biofuels.[20]

The greenwashing legal challenge comes amid growing international doubt of the legitimacy of corporate net zero pledges, particularly from big oil and gas companies. A few weeks ago, a US Congressional hearing questioned board members at Exxon, Shell, BP and Chevron on the role of fossil fuel companies in spreading disinformation to delay climate action and explain whether their current climate pledges will truly reduce global warming.

## Climate science: TotalEnergies knew that burning fossil fuels was causing climate change since the 1970s.

In November 2021, an academic paper[21] revealed that TotalEnergies deliberately downplayed the threat of global warming from the 1970s onwards. Researchers found that the company *"began promoting doubt regarding the scientific basis for global warming by the late 1980"*, moving from "denial to delay". While the company has rejected these claims, it could expose it to litigation, reputational damages or political scrutiny, as was the case for ExxonMobil.[22]

## TotalEnergies in the Russia-Ukraine conflict

Despite EU and US sanctions and multiple calls on the company to cut ties with Russia, the French major has only pledged to stop new investments and to no longer enter into or renew contracts to purchase Russian oil and petroleum products. However, TotalEnergies refuses to give up on its current assets and contracts.

Despite the company claiming that it *"does not operate any oil or gas field in Russia"*, Russia is a key component of the company's fossil strategy: it owns a 20% stake in the gas company Novatek, as well as direct interests in 4 oil & gas projects,[23] as well as a 21-year contract to buy 5 Mt of LNG per year. Russia represents almost 30% of TotalEnergies' total gas production and 40% of its global gas reserves.

Regardless of what one thinks about the feasibility or strategic opportunity of getting out of Russia,[24] one should note that TotalEnergies' decision not to divest from its Russian assets:

- Stands in stark contrast with most of its peers, who have all decided to stop operations and sell or write off Russian assets. This is notably the case of BP, Shell, Equinor, ENI, and ExxonMobil.[25]
- Brings significant reputational and legal risks to both the company and its shareholders. TotalEnergies was accused of being *"complicit in war crimes"* by one of the candidates to the French presidential election[26] and NGOs have threatened to bring the company to the courtroom over its "duty of vigilance" if it does not withdraw from Russia.[27]

# 2. HOLDING DIRECTORS ACCOUNTABLE FOR OIL AND GAS EXPANSION

**Opposing an insufficient climate plan and supporting ambitious climate resolutions is important, but it is not enough to effectively decarbonize a company's activities in the short-term.** To be effective, engagement efforts must also focus on concrete demands, that is why "Say on Climate" votes and climate plans should be complemented by parallel engagement efforts with dedicated escalation strategies.

**For oil and gas companies, pushing for a commitment to end the development of new fossil production projects is the obvious priority demand.** Indeed, the IEA Net Zero scenario clearly states that a 1.5°C-compatible future requires that no new oil & gas fields are approved for development.

## a. TotalEnergies, a total failure to stop expansion

**Compared to 2021, TotalEnergies' investment strategy remains unchanged. 70% of capital expenditures remain focused on oil & gas** (see Fig. 6), of which 20% are dedicated to exploration and investments in new projects, in clear contradiction with the IEA Net Zero scenario.

**Consequently, the 2030 energy mix does not improve and will still rely at 80% on fossil sources** (50% gas and 30% oil). The company keeps massively investing in gas. It will increase gas production by 50% by 2030 from 2015 levels and plans to double gas sales between 2019 and 2030. TotalEnergies also plans to increase so-called "low carbon" LNG production by 22% by 2025. Fossil gas will also play an important role in TotalEnergie's electricity production – gas-fired power plants are described as being an integral part of the transition to clean energies – as well as hydrogen production. The company stresses that gas will contribute to one third of the projected reduction in carbon intensity by 2030. However, this does not mean TotalEnergies is moving away from fossil fuels and aligning with 1.5°C: gas is obviously a fossil fuel, and a significant augmentation of gas production annihilates GHG reductions on oil.

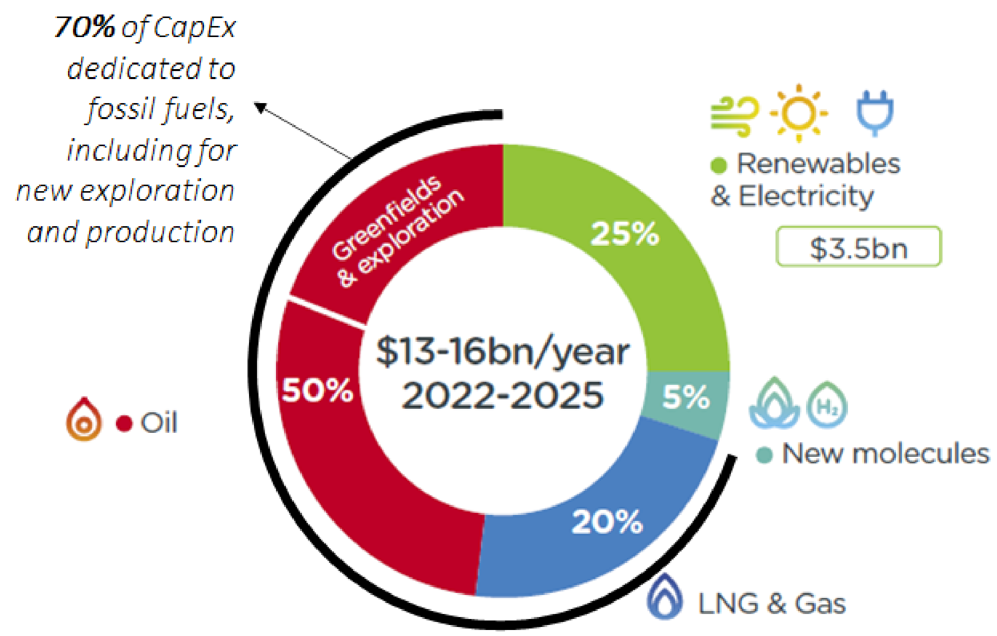
Beyond CapEx, the overall capital allocation **strategy and the breakdown between investment, shareholder return (dividends, share buybacks), and the balance sheet remain unchanged compared to 2021.** Despite windfall profits derived from sky-high commodity prices, TotalEnergies does not plan to expand its investment in renewables. This directly contradicts the company's narrative that cash flows from fossil fuels are vital to invest in renewables. As a matter of fact, share buybacks stand to be the winners of the current situation, with TotalEnergies planning to dedicate 40% of surplus cash flows above $60/b to buybacks (with current prices being well above $100/b).

## b. Using the IEA Net Zero scenario as a fig leaf for inaction

**In order to justify its continuing investments in new oil & gas projects, TotalEnergies provides a distorted and biased analysis of the IEA Net Zero Emissions by 2050 (NZE) scenario.** Indeed, the French major acknowledges the "normative" role of the NZE scenario but refuses to draw the concrete, short-term strategic and operational lessons this scenario implies, particularly when it comes to stopping the development of new fossil fuel production projects. This is an



**Figure 6: Breakdown of capital expenditures, 2022 - 2050**




*Source: TotalEnergies, Sustainability and Climate Progress Report, p. 24*

especially problematic issue for shareholders since **i)** it departs from the investor consensus that engagement efforts on climate must be based on a 1.5°C-compatible pathway;[28] **ii)** it underlines a fundamental inconsistency between the firm's long-term pledge (carbon neutrality in 2050) and its short-term action. Indeed, TotalEnergies currently ranks among the 10 biggest oil and gas developers worldwide according to the Global Oil and Gas Exit List[29] but has not demonstrated willingness to give up on any of those developments.

By stressing that the IEA scenario does not reflect current levels of oil and gas demand and making it clear that its carbon neutrality ambition will be achieved *"together with society"*, TotalEnergies deflects responsibility on consumers. Hence, the company does not position itself as a climate leader, but as a passive observer of the evolution of the demand for fossil fuels.

**TotalEnergies also hides behind the current context of rising energy prices to justify its continued production of oil and gas.** However, a drop in oil and gas production would not necessarily result in higher prices if fossil production were replaced by green alternatives and/or if activities that reduce energy demand are developed. TotalEnergies' claim that the current level of investment in fossil fuels is already lower than the NZE over the 2022-2030 period is also misleading. Before the COVID crisis triggered a significant drop in investment in 2020/2021, the level of investment in the oil and gas upstream in 2019 was still 30% ($110bn) higher than the NZE forecast for 2022-2030.

**TotalEnergies' concrete integration of science-based climate scenarios in its climate plan is equally problematic:**

- Assumptions from climate scenarios are not systematically and transparently integrated in the company's investment decisions and accounting. It is stated that "*the Company uses an oil price trajectory that converges in 2040 with the price in the IEA's SDS scenario ($50/b) and that converges after 2040 with the price retained for 2050 in the IEA's NZE scenario ($25/b)*" and that gas price "*stabilize between now and 2025 and until 2040 at lower levels than today and converge with the IEA's NZE scenario in 2050*". TotalEnergies does not provide granular price curves nor systematic explanations regarding how its assumptions (on CCS, offsets, production, etc.) are science-based, let alone aligned with the NZE.

- Even if the French major "*agrees [with the NZE] on the endpoint*", its target energy mix for 2050 is far from being aligned with this scenario. In 2050, its fossil fuel production and sales are 6 percentage points higher than the NZE's. Conversely, its production of decarbonized electricity is 9 percentage points lower.

## c. Why board members should be held accountable

**Making TotalEnergies commit to stop oil and gas expansion does not directly fall within the remit of the AGM.** Indeed, such an important strategic decision should be proposed by TotalEnergies' management and approved by its Board of Directors.

**That is not to say that shareholders have no influence on this decision.** Indeed, the AGM is responsible for appointing and reappointing Directors who, in turn, are responsible for approving the company's strategy. This was evident last year when Engine n°1 won three seats on ExxonMobil's board, partly based on climate considerations. In 2022, voting against Board Chairs, Lead independent Directors or prominent Directors based on climate considerations[30] is becoming a standard and a marker of credible engagement: In the US oil & gas sector alone, at least 6 exempt solicitations have been filed ahead of the 2022 AGMs.[31]

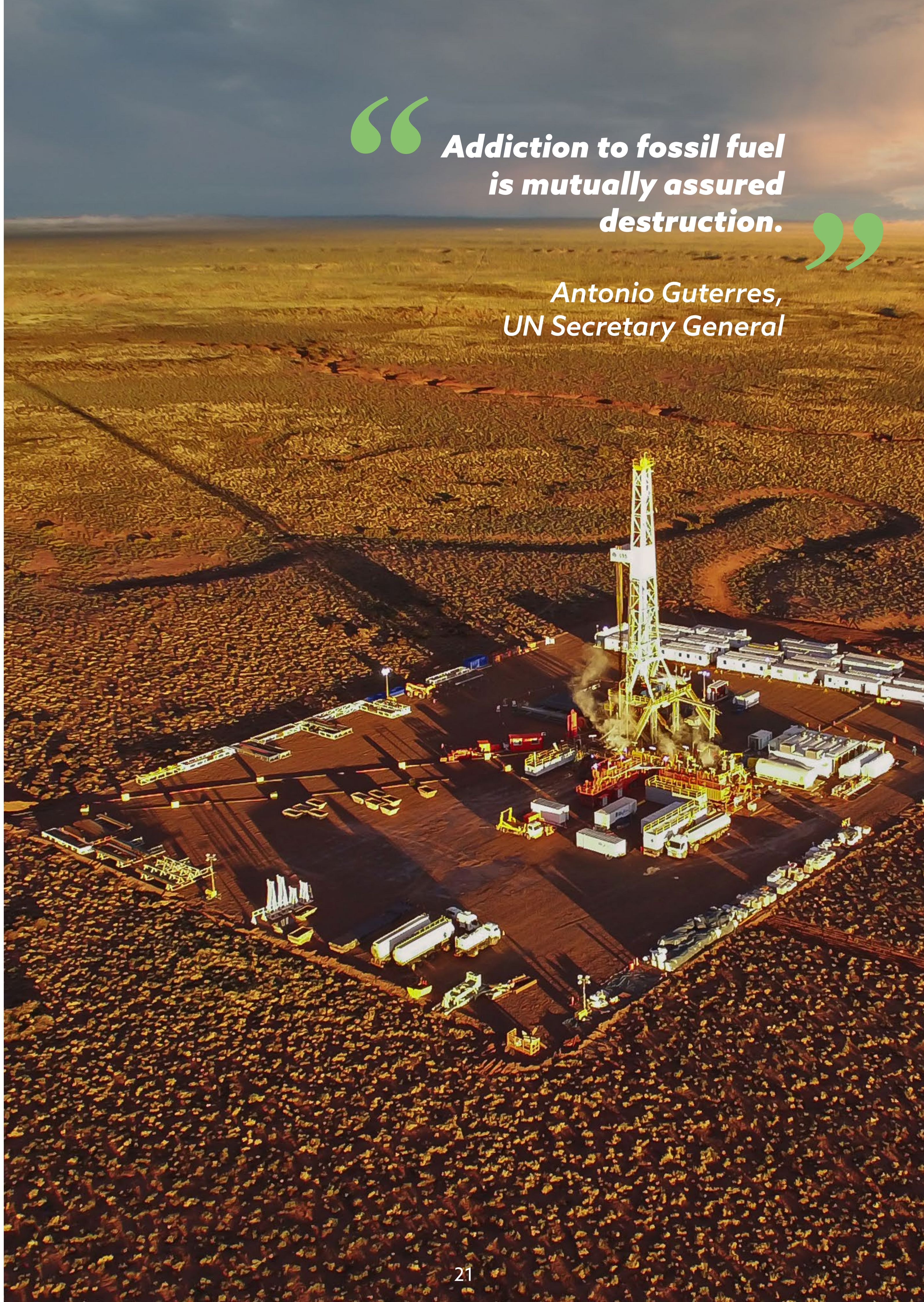
**This year, three members of TotalEnergie's Board of Directors will seek to be reappointed by shareholders during the AGM:**

- Jean Lemierre, independent director since 2016 and member of the Governance and Ethics Committee and of the Strategy & CSR Committee.
- Maria Van der Hoeven, independent director since 2016 and Chairwoman of the Audit Committee.
- Lise Croteau, independent director since 2019 and member of the Audit Committee.

**The three Directors have had a direct responsibility in the validation and implementation of TotalEnergies' climate strategy over the past five years.** Mr. Lemierre and Mrs. Van der Hoeven are up for a third term and count among the longest-serving members of TotalEnergies' Board.[32] Second, all three count among Directors with specific climate-related expertise and knowledge, according to the Board skills matrix.[33] Mrs. van der Hoeven held several high-level positions related to climate policy: She was the Executive Director of the International Energy Agency (IEA) from September 2011 to August 2015 - where she "*emphasized the close link between climate and energy policy*" and she also acted as the Vice Chairwoman of the High-level Panel of the European Decarbonisation Pathways Initiative within the European Commission.[34] While Mr. Lemierre's profile is much more focused on the financial industry, he is one of the six members of TotalEnergie's Strategy and CSR Committee, which is responsible for the "*incorporation of the Climate challenge in the Company's strategy*". It is also worth noting that Mr. Lemierre is the Chairman of the Board of BNP Paribas, which is the biggest banker in the world for offshore oil and gas since 2015, the fifth biggest banker of fossil expansion, TotalEnergies' second financer from 2016 to 2020 and the biggest international financer of BP, Shell, and ENI over the same period.[35]

**Climate-conscious investors should therefore vote against the reappointment of TotalEnergies' Directors to signal their opposition to the oil & gas expansion strategy these Directors have validated.** Moreover, this vote - and the rationale behind it - should be made public. Credible engagement is all about effective signaling. Pre-declaring votes is a best practice allowing to: **i)** start a productive dialogue with the company ahead of and after the AGM, **ii)** rally like-minded investors and coordinate with them to maximize impact; **iii)** impose the narrative and demands promoted by investors (no expansion) in the public debate. It is also frequent that votes against Directors are made on the basis of factors not related to climate (skills, governance, diversity, etc.). Therefore, it is important to clearly state the "no expansion" criteria mobilized by investors to justify voting against TotalEnergies' Directors. Otherwise, investors' vote risks being misinterpreted.





# 3. EMBEDDING CLIMATE IN ALL OTHER VOTES

## a. Accounts and auditors

**Financial statements that leave out material climate impacts misinform executives and shareholders and thus, result in misdirected capital.** In 2019 and 2020, global accounting and auditing standard-setters clarified that material climate-related risks should not be ignored in accounts or in audits.[36] The integration of climate issues in these documents is therefore a legitimate and important engagement topic, particularly for oil & gas companies, whose business model is directly impacted by climate-related factors. There is a growing recognition of the importance of this issue among investors, has evidence by the publication of IIGCC's "Investor Expectations for Paris-aligned Accounts" in 2020[37] and the integration of a criteria on audits and accounts in the 2022 version of the Net Zero Company Benchmark published by CA100+.

**Investor pressure for the integration of climate factors in accounting disclosures is mounting.** A few weeks ago, 34 investors collectively representing over $7.1 trillion in assets sent letters to 17 of Europe's largest companies to request an explanation from Audit Committee Chairs as to why expectations over 1.5°C-aligned accounting disclosures have not been met. As a result, the 2022 AGM season will also see the first "flagged votes" by which leading investors recommend their peers to vote against the validation of financial statements or the reappointment of audit firms or audit committee Chairs because of the companies' failure to integrate climate in these matters. The first example concerned the Irish company CRH, but this trend also applies to French listed companies, such as ENGIE.[38]

**For more than a year, investors have engaged TotalEnergies on this issue.** A first investor letter was sent to TotalEnergies in November 2020,[39] asking the company to properly reflect the implications of global commitments to limit temperature increases to well below 2°C, and ideally to 1.5°C, in its financial statements. TotalEnergies is also among the 17 companies that investors put on notice ahead of the 2022 AGM season, because of its failure to provide shareholders with visibility on how climate impacts are accounted for in its financial statements.

**Despite these efforts, TotalEnergies' performance remains unsatisfactory.** Based on documents for the financial year 2020, the company does not comply with any of the three criteria analyzed in the CA100+ Benchmark on accounts and audits:

- It fails to properly integrate climate in its financial statements. The statements do not demonstrate how material climate-related matters are incorporated, they do not disclose the quantitative climate-related assumptions and estimates, and they are not consistent with other reporting documents on climate.
- TotalEnergies' audit reports also fail the climate test: They do not identify how auditors have assessed the material impact of climate-related matters and they do not identify the climate-related inconsistencies that exist between the financial statements and other reporting documents.
- Finally, financial statements and audits are not aligned on a 1.5°C pathway. TotalEnergies does not use or disclose a sensitivity to, assumptions and estimates that are aligned with achieving net-zero GHG emissions by 2050; neither does the audit report.



**At the 2022 AGM, TotalEnergies' shareholders will have to vote on a number of resolutions directly linked to this issue: i)** Approbation of the financial statements and consolidated financial statements; **ii)** reappointment of EY as one of TotalEnergies' auditor; **iii)** appointment of PwC as one of TotalEnergies' auditor.

## b. Compensation packages

**The integration of climate-related factors and KPIs in the compensation of executives is an important indicator to assess the alignment of the company's governance on its climate objectives and strategy.** On this issue, TotalEnergies is performing relatively well. The French major meets the two sub-criteria related to remuneration in the Net Zero Company Benchmark published by CA100+.[40] The Climate and Sustainability report presented by TotalEnergies also mentions how the company integrates climate in its remuneration packages and proposes minor improvements, notably through a new GHG reduction criteria impacting 15% of the variable compensation for senior executives.

**However, the way TotalEnergies integrate climate in its compensation schemes still suffers from important limitations:**

- **Broadly-defined ESG criteria only represent 39% of the CEO/Chairman's variable compensation** and only 30% for other senior executives.
- **Within those ESG criteria, climate is not well represented:** GHG reduction targets, which form the core of TotalEnergies' climate strategy, only account for 6% of its CEO/Chairman compensation (and only 15% for other senior executives).
- **TotalEnergies' compensation packages are almost entirely blind to Scope 3 emissions.** There is no criterion related to Scope 3 emissions in the Chairman/CEO's variable compensation and it is not clear whether or not Scope 3 is integrated to the variable compensation of other senior executives. The attribution of performance share does take Scope 3 into account (with a 15% weight) but fails to recognize that scope 3 emissions hey represent more than 90% of the company's emissions

**As required by French law, shareholders will have to vote on a number of compensation-related resolutions at the 2022 AGM:** approbation of the compensation policy for Directors, approbation of the compensation policy for the CEO, approbation of the 2021 compensation package for the CEO.

## Climate lobbying

**Pro- or anti-climate lobbying is the last important engagement topic that could and should be reflected in investors' vote at the AGM.** According to the Net Zero Company Benchmark published by CA100+, TotalEnergies only partially align its lobbying disclosures on climate. While the company has made progress - having formally committed to conduct all of its lobbying in line with the goals of the Paris Agreement - TotalEnergies does not list all its climate-related lobbying activities (e.g. meetings, policy submissions, etc.) as required by CA100+.

**TotalEnergies' performance is also problematic regarding the actual alignment of its lobbying activities.** The French Major has undertaken some positive steps (by withdrawing from several anti-climate industry associations[41] and developing a pro-climate "top-line" communication)[42] and its lobbying practices are in line with its European peers[43] but its overall climate policy engagement remains mixed. According to InfluenceMap,[44] TotalEnergies continues to advocate for an energy policy agenda focused on advancing the role of fossil fuels, particularly fossil gas. The company also retains membership to a number of powerful industry associations engaged in the active opposition of climate regulations (Business Europe, IATA, etc.).

**The 2022 AGM does not present any resolutions specifically dedicated to lobbying. Therefore, shareholders willing to escalate or challenge TotalEnergies on this subject could either do it through written questions, or by picking another resolution.**

## References


1. Excluding the impact of COVID, which artificially reduced emissions in 2020 - 2021 because of the falling demand.
2. Namely, i) TotalEnergies does reach its emissions targets by 2050, and ii) it reduces its production in line with the IEA's Net Zero-based 1.5°C scenario
3. IIGCC, 2021
4. An additional criteria on « Just Transition" was beta-tested but the results are not public.
5. Page 5 of TotalEnergies' Climate and Sustainability Progress Report
6. Including MN, Achmea Investment Management, Aegon Asset Management, APG, BPL Pensioen, DPAM, Edmond de Rothschild Asset Management, Greater Manchester Pension Fund, La Financière de l'Echiquier, PGGM Investments and Van Lanschot Kempen. See their press release.
7. Including, Candriam, Egamo, Erafp, La Financière de l'Echiquier, Mandarine Gestion, Meeschaert Amilton AM, Messieurs Hottinguer & Cie Gestion Privée, OFI AM, Sanso IS and Sycomore AM
8. Voir le communiqué de presse des investisseurs ainsi que sa reprise dans la presse.
9. The fact that one investors co-filed both resolution provides clear evidence that the two resolutions are complementary.
10. See TotalEnergies' letter and the reaction from the group of investors that filed the resolution.
11. The PRI considers that "filing and voting shareholder proposals" is a "proven stewardship mechanism" (https://www.unpri.org/stewardship/climate-transition-plan-votes-investor-briefing/9096.article)
12. Baldon, 2021 "Les résolutions climatiques au prisme du principe de séparation des pouvoirs au sein de la société anonyme » JCPE n°36; Rapone & Dessard « Résolutions climatiques et 'say on climate' : état des lieux et perspectives » Droits des sociétés n°6, etc.
13. Total, Vinci and Atos in 2021. TotalEnergies, Engie, EDF, Getlink, Amundi and other smaller companies in 2022.
14. See for example the declarations of Amundi and AXA.
15. As it is clear from the results of the CA100+ benchmark and based on a simple analysis of TotalEnergies' new climate plan. See section 1.a and 1.b.
16. See a full analysis of EACOP's impact on the StopEACOP website.
17. The case has been filed by Friends of the Earth France and Survie (source).
18. TotalEnergies must stop its EACOP and Tilenga project in Uganda.
19. Greenpeace France, Friends of the Earth France and Notre Affaire à Tous, supported by ClientEarth
20. An explainer about the case can be found here.
21. Early warnings and emerging accountability: Total's responses to global warming, 1971–2021, Gobal Environment Change (source)
22. US oil & gas company ExxonMobil is being sued in the US based on the same kind of accusations (source)
23. 20% in Yamal LNG, 10% in Arctic LNG 2, 49% in TerNefteGaz and 20% in Kharyaga.
24. TotalEnergies argues that it does not want to unwarrantedly transfer value to Russian interests by withdrawing from assets
25. Sources for BP, Shell, Equinor, ExxonMobil and ENI.
26. https://www.euractiv.com/section/energy/news/yannick-jadot-accuses-totalenergies-of-being-complicit-in-war-crimes/
27. See the letter from Greenpeace France and Friends of the Earth France.
28. See Climate Action 100+'s three asks
29. https://gogel.org/
30. https://www.nytimes.com/2021/06/23/magazine/exxon-mobil-engine-no-1-board.html
31. The following companies are targeted: Chevron, ConocoPhilipps, EOG Resources, Kinder Morgan, Marathon Petroleum, and Valero (source).
32. Only 4 out of 14 Directors have served more years than Mrs. van der Hoeven and Mr. Lemierre on TotalEnergies board.
33. p. 41 of TotalEnergies' Universal Registration Document
34. https://totalenergies.com/group/identity/governance/biographies/board-of-directors-members
35. https://https://reclaimfinance.org/site/en/2021/03/26/muddying-the-waters-our-response-to-bnp-paribas/
36. See the IFRS and FASB position on this topic.
37. https://www.iigcc.org/download/investor-expectations-for-paris-aligned-accounts/?wpdmdl=4001&masterkey=5fabc4d15595d
38. https://www.iigcc.org/download/engie-2022-climate-action-100-flagging-memo/?wpdmdl=5696&refresh=625fa6e9efa3b1650435817
39. https://www.iigcc.org/download/iigcc-letter-to-european-companies-on-paris-aligned-accounts/?wpdmdl=4006&masterkey=5fabc9c5af24f
40. Namely, "The company's CEO and/or at least one other senior executive's remuneration arrangements specifically incorporate climate change performance as a KPI determining performance-linked compensation (reference to 'ESG' or 'sustainability performance' are insufficient)." and "The company's CEO and/or at least one other senior executive's remuneration arrangements incorporate progress towards achieving the company's GHG reduction targets as a KPI determining performance linked compensation"
41. Such as the American Petroleum Institute, American Fuel & Petrochemical Manufacturers (AFPM) and the Canadian Association of Petroleum Producers (CAPP)
42. For example, by supporting the Paris Agreement and the principle of a carbon pricing mechanism.
43. According to an assessment from InfluenceMap, its individual lobbying and collective lobbying scores are respectively at 62% and 56% (vs. an average of 59% and 52% for its European peers).
44. https://lobbymap.org/company/Total-5a9f086d9a2ce300529ea4eb020d1aa3/projectlink/Total-In-Climate-Change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# HOW TO VOTE AT TOTALENERGIES' AGM
## A briefing for climate-conscious investors

Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of some financial actors, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to to bend existing practices to ecological imperatives.

**contact@reclaimfinance.org**

RECLAIM Finance