

## Investment Stewardship

# Vote Bulletin: TotalEnergies SE

Company	<b>TotalEnergies SE (Euronext Paris: TTE)</b>
Market and Sector	France, Energy
Meeting Date	25 May 2022
Key Resolutions <sup>1</sup>	<b>Item 16:</b> Approve Company's Sustainability and Climate Transition Plan
Key Topics	Climate risk
Board Recommendation	The board recommended shareholders vote FOR Item 16
BlackRockVote	BlackRock Investment Stewardship voted FOR Item 16

### Overview

TotalEnergies SE (Total) is a global energy company that produces and markets fuels, natural gas and electricity. The company is headquartered in France.

BlackRock Investment Stewardship (BIS) has engaged regularly with Total over the last several years to discuss a range of corporate governance and sustainable business matters that we believe contribute to a company's ability to deliver the durable, long-term shareholder returns our clients depend on to meet their financial goals. Consistent with our long-term focus on the impact of the global energy transition, as set out in BIS' [engagement priorities](#), our discussions with TotalEnergies this year have focused on how the company is addressing the material climate risks and opportunities in their business model.

In order to assess companies' strategies to navigate the energy transition, BIS engages with companies and, where we have authority to do so, votes proxies in the economic interests of our clients.<sup>2</sup> As discussed in our commentary, [Climate risk and the global energy transition](#), BlackRock's stewardship approach is based on our fundamental role as a fiduciary to our clients. As the world transitions over decades to a low-carbon economy, we are interested in hearing from the companies in which our clients are invested how they are assessing and managing the risks and opportunities arising from the decarbonization of the global economy, while also managing for a reliable energy supply and a just transition. We look for companies to demonstrate they have

<sup>1</sup> TotalEnergies SE, "[Notice of meeting: Combined Shareholders' Meeting 2022](#)".

<sup>2</sup> Voting on our clients' behalf, when authorized to do so, is one of our core Stewardship responsibilities. Without exception, our decisions are guided by our role as a fiduciary to act in our clients' long-term financial interests. We aim to be a supportive, long-term focused shareholder who takes the context in which a company operates into consideration and makes voting decisions to advance our clients' interests. We make climate-related voting decisions after carefully assessing companies' risk oversight and mitigation, alongside their disclosures detailing how climate risk and opportunity are integrated into their strategy and plans.

strategies in place that address and are resilient to a range of scenarios, including likely decarbonization pathways well below 2°C, as well as global ambitions to limit temperature rise to 1.5°C.

As investors, we understand that net zero pathways will not be linear or streamlined; the macroeconomic environment, including energy markets, is complex and volatile, and there is a great deal of regulatory and geopolitical uncertainty.<sup>3</sup> In this context, we believe the board and management are best positioned to determine what approach will best equip the company to navigate risks and opportunities in the context of the company's business model and sector. Thorough company disclosures allow investors to understand corporate climate action plans, track progress, and assess the strategic changes that a company may undertake to adapt their business models to respond to different energy transition scenarios.<sup>4</sup>

## **Rationale for BlackRock's vote**

### **Item 16: Approve Company's Sustainability and Climate Transition Plan (Management proposal) (FOR)**

**BIS supported this proposal in recognition of the company's clearly disclosed climate transition plan to manage climate-related risks and opportunities and the progress made against this strategy.**

At the 2022 annual general meeting (AGM), management proposed an advisory, non-binding shareholder vote on the progress made to date against the company's Sustainability and Climate Transition Plan.<sup>5</sup> Total originally proposed the Sustainability and Climate Transition Plan during the 2021 AGM. The plan, which discussed the company's "ambition with respect to sustainable development and the energy transition towards carbon neutrality,"<sup>6</sup> received nearly 92% of shareholder support, including from BlackRock.<sup>7</sup> Our decision to support the strategy was based on our belief that Total's Sustainability and Climate Transition Plan demonstrated clear policies and action plans to manage climate risk and opportunities, and that it provided a well-defined roadmap towards the company's stated climate ambition and targets.

Total's climate-related disclosure is aligned with the pillars of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Their greenhouse gas (GHG) emissions reduction targets and ambitions cover all relevant scopes (1, 2, 3) and timeframes (short-, medium-, long-term), with the aim to reduce total GHG emissions in Europe by 30% by 2030 against a 2015 baseline.

Since the sustainability and climate plan was first proposed in 2021, Total has included a new target to reduce methane emissions by 80% from 2020 levels by 2030 and have also broadened their 2030 scope 3 emissions reduction target from a primary focus on Europe to now include emissions globally. TotalEnergies' commitments now include a target to reduce GHG emissions related to the sale of petroleum products by 30% compared to 2015. They have also provided more details about their 2050 vision, which includes an ambition to have renewable electricity account for 50% of total production, while biofuels/biogas/hydrogen/e-fuels and oil/gas account for 25% respectively. All residual emissions would be fully captured, recycled or offset.

Moreover, in the past year, Total has scaled up transition resilient investments, including in liquified natural gas (LNG) while also focusing on opportunities across the renewable energy value chain. They have announced 120 initiatives focused on emissions reduction, including divesting from refineries in the United Kingdom and

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<sup>3</sup> BlackRock Inc., "[Managing the Net-Zero Transition](#)", February 2022.

<sup>4</sup> We recognize that companies cannot deliver the energy transition in isolation. A range of stakeholders, including policy makers and consumers, have a role to play to ensure a better equilibrium between supply and demand, given the global economy's current dependence on traditional energy sources and the parallel need to invest in cleaner energy alternatives and other technologies. In our engagements we may also discuss how companies see their role in achieving that equilibrium.

<sup>5</sup> TotalEnergies SE, "[Notice of meeting: Combined Shareholders' Meeting 2022](#)".

<sup>6</sup> TotalEnergies SE, "[Convening of the Annual Shareholders' Meeting of May 25, 2022](#)".

<sup>7</sup> BlackRock Investment Stewardship, "[Total SE](#)", May 2021.

France.<sup>8</sup> The company has also taken a proactive approach to decarbonization by partnering with several others in the industry on carbon-capture and sequestration (CCS) projects as well as innovative technology to reduce methane emissions.

In addition to our view that the company is actively addressing the risks and opportunities stemming from the global energy transition, we note that companies face particular challenges in the near term, given underinvestment in both traditional and renewable energy, exacerbated by the current geopolitical environment. In recent [research](#), the BlackRock Investment Institute (BII) viewed that reducing reliance on Russian energy in the wake of the invasion of Ukraine will impact the net zero transition that is already underway. Net exporters of energy are likely to be required to increase production, while net importers are expected to accelerate efforts to increase the mix of renewable energy in their systems. This set of dynamics will – at least in the short- and medium term – drive a need for investment in both traditional and renewable sources of energy.

Overall, BIS recognizes that Total is actively addressing the risks and opportunities stemming from the global energy transition through the Sustainability and Climate Transition Plan, and we welcome the progress the company has made to date against this plan. Therefore, we believe our support for this proposal is in the best long-term economic interests of our clients.

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<sup>8</sup> TotalEnergies SE, Sustainability Climate 2022 Progress Report”.

## About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.<sup>9</sup>

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

**Want to know more?** [blackrock.com/stewardship](https://blackrock.com/stewardship)

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<sup>9</sup> As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.