Investment Stewardship Group

Voting Bulletin: Total SA

As part of our fiduciary duty, BlackRock's Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our engagement priorities based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team's key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	**Total SA**
Market	France
Meeting Date	29th May 2020
Key Resolutions[1]	**Item A:** Instruct Company to Set and Publish Targets for Greenhouse Gas (GHG) Emissions Aligned with the Goal of the Paris Climate Agreement and Amend Article 19 of Bylaws Accordingly
Board Recommendation	**Item A:** AGAINST
BlackRock Vote	BIS voted AGAINST the shareholder resolution given the company's existing reporting aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 greenhouse (GHG) emissions.

[1] Full meeting information can be accessed at: https://www.total.com/investors/shareholders-meetings?xtcr=4&xtmc=FINANCIAL_REPORTS&xtnp=0

BIS believes that as companies face material climate risks, they must demonstrate that management has assessed how climate may impact operations and determined an appropriate business strategy. As we describe in our commentaries on our Approach to Engagement on Climate Risk and Emissions, Engagement, and Transition to a Low-Carbon Economy, we expect robust disclosures of climate-related risks and opportunities in line with the recommendations of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Greater transparency will contribute to improved market-level data, better engagements with shareholders, and more informed voting decisions aligned with long-term value creation.

Overview

Total SA (Total) is an oil and gas company based in France.

Total makes comprehensive climate related disclosures and implements the recommendations of the TCFD in the 2019 Universal Registration Document (annual report),[2] and a separate report dedicated to explaining how climate change issues are integrated in the strategy.[3] This includes an extensive discussion of its business resiliency, strategy and climate-related risks.

As a fiduciary on behalf of our clients, BIS has engaged with Total over the past several years on a range of governance and material sustainability topics, including climate-related disclosures. As part of our engagement and voting process, we reviewed relevant company disclosures ahead of this year's annual general meeting. **Total's disclosures are consistent with our expectation of large carbon emitters with a previous history of engagement with BIS on the topic.**

The Shareholder Proposal (Item A) and climate targets

The shareholder proposal (Item A) requested an amendment of Total's bylaws, stating that management should report on how the company's strategy and activities are aligned with the Paris Agreement, and include objectives for the reduction in the absolute value of scope 1,2 & 3 emissions. According to the proponents, Total's commitments and continued investments in hydrocarbons are not aligned with the goals of the Paris Agreement.

When the resolution was drafted, Total's stated public ambitions were to reduce the carbon intensity of the energy mix that it offers to its customers by 15% by 2030 and by 40% by 2040 (scope 1, 2 & 3); and to reduce the GHG emissions on operated oil & gas facilities by 13% by 2025 (from 46 Mt CO_2e in 2015 to less than 40 Mt CO_2e).

On May 5, Total revised its climate commitments to further reduce its carbon footprint and to "get to net zero" emissions by 2050.[4] These commitments were laid out in a joint statement developed with institutional investors – as participants in the global investor initiative Climate Action100+.[5] The company's commitments now include:

- **Net zero** across worldwide operations by 2050 or sooner (**global scope 1 & 2:)**;
- **Net zero** across all its production and energy products used by its customers in the Europe (including the UK and Norway) by 2050 or sooner (**regional scope 1, 2 & 3)**;
- **60% or more reduction in the average carbon intensity of energy products used worldwide by its customers** by 2050 (less than 27.5 gCO_2/MJ) - with intermediate steps of 15% by 2030 and 35% by 2040 (**global scope 1, 2 & 3)**.

---

[2] For more information, please see: https://www.total.com/media/news/press-releases/total-releases-its-universal-registration-document-2019-document-denregistrement-universel-2019-and

[3] For more information, please see: https://www.total.com/sites/g/files/nytnzq111/files/atoms/files/total_rapport_climat_2019_en.pdf

[4] For more information, please see : https://www.total.com/media/news/total-adopts-new-climate-ambition-get-net-zero-2050

[5] For more information, please see: https://new-publications.total.com/05052020/pr/original-joint-statement-total-climate-action-100-plus.pdf

Rationale for BlackRock vote

Item A: Instruct Company to Set and Publish Targets for Greenhouse Gas (GHG) Emissions Aligned with the Goal of the Paris Climate Agreement and Amend Article 19 of Bylaws Accordingly (AGAINST)

BIS has engaged with Total on its climate commitments for a number of years and was engaged with the company throughout the process of this latest revision of its commitments. Most of Total's Scope 3 emissions come from the Scope 1 emissions of Total's customers. Because no single oil & gas company is fully in control of the global energy mix, Total's Scope 3 commitments will only be achievable if key stakeholders such as policymakers, businesses and consumers work together to accelerate the development and use of low-carbon technologies, incentivize more energy efficiency, reduce demand for fossil fuels, and remove emissions from the atmosphere.

In determining our vote, we took into consideration that Total already had some of the most ambitious climate targets in the industry on all relevant scopes (1, 2 & 3), and that the company already makes strong TCFD disclosures. Even under the most ambitious energy transition scenarios, fossil fuels are likely to play a role in the global economy for the coming decades.

Furthermore, the shareholder resolution refers to Total's previous climate commitments, which are now out of date and have been superseded by renewed and stronger commitments. As a result of Total's responsiveness, BIS considers the request made in the resolution to have been substantively delivered.

Given the company's TCFD-aligned reporting, which has been one of BIS' key requests of significant carbon emitters, its commitment to continuous improvement and its responsiveness to shareholder engagement on portfolio resilience and reduction of scope 1, 2, and 3 GHG emissions, we are supportive of management at present.

Moreover, we do not believe it appropriate to amend Total's bylaws in the manner proposed. A company's bylaws define its purpose and the rules by which it is run, and are not meant to define the corporate strategy, which must, by its very nature, evolve in accordance with the company's operating environment. In this case, the proposed modification to Total's bylaws is an unsuitable mechanism by which to address climate-related matters and could have unforeseen and far-reaching consequences for both the company and its shareholders.

In summary, BIS voted against Item A due to the company's strong commitments and responsiveness to engagement with BIS and other shareholders on the issues in question; the consequent redundancy of many of the resolution's key areas of focus; and the unsuitability of a proposal to amend the bylaws to address a question of corporate strategy. For these reasons, BIS voted with management on all resolutions at the AGM.

We will continue to engage with the company and closely monitor the delivery against the targets Total has set out to date. We will hold management and board directors to account for progress on their delivery, through future voting on director elections, where appropriate.