BlackRock

Investment Stewardship

Vote Bulletin: Total SE

Company	**Total SE (EPA: FP)**
Market and Sector	France, Energy
Meeting Date	28 May 2021
Key Resolutions[1]	**Item 14**: Approve the Company's Sustainable Development and Energy Transition
Key Topics	Climate risk
Board Recommendation	The Board recommended voting FOR this resolution
BlackRock Vote	BlackRock voted FOR this resolution because it meets our expectations that companies have clear policies and action plans to manage climate risk

Overview

Total SE (Total)[2] engages in the exploration and production of fuels, natural gas and electricity, and operates through the following business segments: Exploration & Production; Integrated Gas, Renewables & Power; Refining & Chemicals and Marketing & Services. The company was founded in 1924 and is headquartered in Courbevoie, France.

BlackRock Investment Stewardship (BIS) has engaged with the company for several years to discuss corporate governance issues that we believe drive long-term shareholder value, including management and board oversight of climate-related risks, corporate strategy and sustainability disclosures.

At the 2021 annual general meeting (AGM), management proposed an advisory shareholder vote on the company's strategy "with respect to the energy transition, to carbon neutrality, and the related objectives by 2030 that the Board has set for the company,"[3] i.e., a "say on climate." The company states that "this ambition is based partly on the joint declaration issued with the coalition of investors Climate Action 100+ in May 2020, partly on the strategy and targets announced to the shareholders of Total in September 2021 and February 2021, and partly on the work of the Board of Directors on the ambition with respect to [the] energy transition towards carbon neutrality of the company."[4]

[1] Total SE, "Notice of meeting".

[2] Total is proposing to shareholders to change the company's name to TotalEnergies.

[3] Total SE, "Notice of meeting".

[4] See previous footnote.

Rationale for BlackRock's Vote

Item 14: Approve the Company's Sustainable Development and Energy Transition (FOR)

BIS voted for this resolution because it meets our expectations that companies have clear policies and action plans to manage climate risk, and it provides a roadmap towards the company's stated climate ambitions and targets.

Total's 2050 net zero targets appear to be consistent with the goals of the Paris Agreement, and BIS believes that the strategy strikes a reasonable balance between ambition and pragmatism as it relates to the global energy transition.

The company's stated carbon neutrality strategy meets our expectations of a company committed to the energy transition, including through a clear demonstration of ambition, actions and targets to achieve net zero by 2050 across its production, energy productions and customer consumption (scopes 1, 2 and 3 emissions).[5] The company has also demonstrated a commitment to transparency, and reports in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) sector-specific standards.

Recently, the company has updated its comprehensive set of short- and long-term scope 1, 2 and 3 GHG emissions reduction targets.[6]

By 2030, Total aims to reduce its global scope 1 and 2 net emissions (including carbon sinks) for its operated oil and gas activities by at least 40% compared with 2015's levels. By 2050, the company aims be a net zero GHG contributor across the energy products used by its customers (scope 3).

Notably, Total set more stringent targets for its European operations and footprint, in relation to which it plans to reduce scopes 1, 2 and 3 emissions by 30% in absolute terms by 2030 compared with 2015. This reflects varying policy support and the broader political context.

However, we expect the company to progressively enhance its global targets and further demonstrate its alignment with the Paris Agreement. Our view is that investors would benefit from having greater specificity around what constitutes targets aligned with the Paris Climate agreement. We recognize that these methodologies are emerging. Organizations like the Science-Based Targets Initiative will have an important role to play in defining the 'right' transition pathways for large energy companies, which will be essential to achieving broad-based support for their transition strategies.

We note that Total's climate targets are included in the compensation schemes of all of the company's senior executives and in financial policy (future bond issues will be Climate-KPI linked bonds),[7] which we believe further demonstrates the integration of these commitments into the company's practices.

Accordingly, BIS voted for this resolution to recognize the company's progress, clearly-stated policies and action plans to manage climate risks, as well as our view that a management-proposed advisory vote on the company's energy transition strategy could become an effective channel for shareholders to provide feedback. Such a vote may also help accelerate progress on this issue.

While BIS is supportive of this resolution at Total for the reasons stated above, we will continue to take a case-by-case approach to "say on climate" proposals more broadly.

[5] Total SE, "Getting to net zero".

[6] Total SE, "Notice of meeting".

[7] See previous footnote.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. 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.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our Global Principles, market-level voting guidelines, and engagement priorities, material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.