Position of the Board of Directors on the shareholder resolution

In 2020, TotalEnergies unveiled its strategy of transformation into a multi-energy company, as well as its ambition to become a major player of the energy transition, committed towards carbon neutrality in 2050, together with society. This ambition has materialized, since then, by commitments, acts and concrete results and a regular reinforcement of the climate objectives of the Company.

The advisory resolution proposed by shareholders representing less than 1.4% of the capital of the Company invites the Board of Directors to “align its existing 2030 reduction targets covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement”. This draft advisory resolution implies that the “Scope 3” emissions could, as such, be aligned with the Paris Agreement through the sole will of the Company and that the strategy adopted by the Company would be insufficient in that respect. The only way to implement the resolution would in fact be to reduce the marketing activities of the Company without gain for the planet’s climate, as other companies would substitute themselves to the Company to meet the energy demand of its clients and would therefore be contrary to the interests of the Company and its shareholders.

- This resolution is simplistic and is not relevant

The Board of Directors considers that this draft resolution suffers from significant methodological flaws, that it does not bring a solution to contribute to the global decrease in GHG emissions, that it is contrary to the interests of the Company, its shareholders and its clients, and that it raises governance issues even if, given that it is an advisory resolution, it deemed preferable to submit it to the Annual Shareholders’ Meeting.

- The proposed resolution, that focuses on the indirect GHG emissions (Scope 3), chooses the wrong target and does not bring a credible answer to the challenges of climate change

The GHG Protocol standard classifies the GHG emissions of companies according to three perimeters, named “scopes”:
- Scope 1, that regroups the emissions directly related to the company’s activities,
- Scope 2, that accounts for the indirect emissions related to the production, by a third-party, of the electric or thermal energy used for the company’s activities,
- Scope 3, that corresponds to the other indirect emissions.

The indirect emissions reported under Scope 3 by TotalEnergies related to the use of its products are the addition of the direct emissions named Scope 1 of the consumers of those products: the company’s customers who decide to use those products.

Under Scope 3, TotalEnergies notably reports the emissions related to the use by the clients of the products sold for final use, i.e. their combustion to obtain the energy they need. For example, emissions from jet fuel sold by the Company are first recorded in the Scope 1 emissions of the airline that uses the fuel. They are also recorded in the Scope 3 indirect emissions of the aircraft's engine manufacturer, the plane manufacturer, the airport and TotalEnergies as supplier of the energy.

In this sense, Scope 3 emissions are not cumulative, but overlapping. Only Scope 1 emissions are cumulative and allow to report on the actions taken regarding greenhouse gas emissions by each of the players who is directly responsible for the emissions.
An absolute reduction target for Scope 3 for a company like TotalEnergies, without customers themselves having targets for reducing the Scope 1 related to the use of energy products, is in reality not relevant in reducing global GHG emissions.

- **The proposed resolution would be contrary to the interests of the Company, its shareholders and its clients**

By focusing on indirect greenhouse gases emissions related to the use of energy products that TotalEnergies sells to its customers (Scope 3), the adoption of this resolution would lead to holding the Company liable for these emissions, whereas the use of these products is the decision of its customers. As the Board of Directors of the Company has already pointed out, TotalEnergies is not involved in production and sale chain of the goods and equipment that consume energy or require energy for their making : TotalEnergies does not make airplanes, cars, cement or steel. The Company therefore cannot be held responsible for the reduction of emissions related to the use of products used by its customers.

Obviously, TotalEnergies acts to contribute to the transformation of its customers’ energy demand and thus to help its customers reduce their scope 1. Through its multi-energy strategy, TotalEnergies is adapting its offer to provide a wider range of energy products, included decarbonized products, for example by developing sustainable jet fuels, and supports its customers in their decarbonization plans. But it is the concerted actions of all the players in the energy value chain that can have a concrete impact on the global GHG emissions and that can bring a shift in the way energy is used: through public policies aimed at orienting energy consumption, sectoral initiatives of energy-consuming companies, technical and technological developments,…

Drastically reducing the global Scope 3 emissions in absolute value of a company like TotalEnergies, as the proposed resolution underpins, without an evolution of the overall structure of energy demand, would lead to direct that energy demand toward other suppliers, notably the national oil companies of producing countries. This strategy would have no effect on lowering global greenhouse gas emissions, and therefore no positive impact on climate. The implementation of this strategy would be bad for its shareholders, as the Company would have to sell its oil and gas products marketing activities to other operators.

The strategy would also be dangerous for our customers, insofar as it would not integrate the necessity to ensure a secure energy supply to meet the existing demand. Too abrupt a transition could destabilize the availability and the prices of oil and gas petroleum products and hinder the financial capacity necessary to lead the transition.

- **TotalEnergies has a consistent and effective strategy to be a major player in the energy transition**

TotalEnergies’ Board of Directors notes that it fully exercises its powers in defining the Company’s priorities for the energy transition. For the third year in a row, the Board is consulting shareholders with regard to TotalEnergies’ ambition for sustainability and the energy transition. The Sustainability & Climate - 2023 Progress Report, which will be submitted for an advisory vote at the next Annual Shareholders’ Meeting, describes the implementation of the Company’s strategy and the progress made in 2022 towards achieving its climate objectives for 2030. The report also enhances the Company’s climate and sustainability ambition, notably by specifying – as pledged by the Company – the 2025 and 2030 targets for the main climate indicators and making a number of these targets more ambitious:

- Concerning its Scope 1 & 2 emissions over which it has control at its operated facilities, the Company has set a new emissions target in absolute value of below 38 Mt CO2e (Scope 1 + 2) by 2025 compared to 2015 (versus the previous target of less of 40 Mt CO2e), thanks notably to a $1 billion worldwide energy efficiency program for 2023-2024. The Company has also pledged to reduce these emissions by more than 40% by 2030 compared to 2015, in line with the objectives set by countries committed to carbon neutrality by 2050. As a reminder, the Company has already reduced by close to 30% the Scope 1 + 2 emissions from its Oil&Gas activities between 2015 and 2022.

- TotalEnergies has strengthened its objectives of lowering the lifecycle carbon intensity of the energy mix sold to its customers from -20% to -25% by 2030 in relation to 2015, and -15% by 2025
(compared to -10% previously), thereby contributing to the reduction of its customers’ Scope 1 emissions while selling them the energy they need and ensuring a secure energy supply. As a reminder, Total Energies has already reduced the lifecycle carbon intensity of its sales by 12% between 2015 and 2022, thanks to the growth in its sales of electricity and gas and the drop in sales of oil products.

TotalEnergies is thus leading its peers in terms of decarbonizing its energy sales.

- TotalEnergies has also set ambitious methane emissions reduction objectives, aiming to tend towards “zero methane” with concrete emission reduction objectives of 50% by 2025 and 80% by 2030 compared to 2020, after reducing them by 50% from 2010 to 2020.

The continuation of this strategy is supported by a consistent investment policy. Our investments in 2022 have reached 16.3 G$, including 4 G$ in low-carbon energies. In 2023, we plan to invest 5 G$ in them. For the years to come, the investments in low carbon energies will represent approximately 1/3 of our investments.

TotalEnergies thus has an assumed growth strategy in LNG due to the positive role of gas in energy transition, notably allowing coal substitution for power generation. The Company has assessed that its LNG sales, by substituting coal and fuel to produce electricity, have contributed to avoid approximately 70MT of CO2e in 2022 (Sustainability & Climate Report 2023, p.54).

- The proposed resolution undermines good governance

The advisory resolution proposed by some shareholders does not facially infringe on the Board of Directors’ powers. However, if adopted, it would introduce some confusion in the governance of the Company since the proposed resolution would lead the Board of Directors to take into account a different strategy from that it adopted and that would not be in the interest of the shareholders.

Your Board of Directors notes that the provisions of the code of commerce applicable to the filing of a resolution by shareholders do not expressly allow to file an advisory resolution. The law expressly allows them, however, to file items (without vote) to trigger a debate at the Annual Shareholders’ Meeting. This would be, in the future, a better way to engage in shareholder dialogue.

Without it being an endorsement by the Board of this manner of shareholder intervention for the future, the Board of Directors has nonetheless decided to add this proposed advisory resolution to the agenda, in the interest of a debate that an “item” would have also allowed, but not to approve it for the reasons mentioned above.

Consequently, the Board of Directors of TotalEnergies SE invites its shareholders to cast votes against resolution A submitted by shareholders representing less than 1.4% of the capital of the Company.