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I said earlier that geopolitics first became a focus for some boards, CEOs, and executive committees on February 24. That is definitely not the case for extractive industries, however. I think, Helle, that yours is one of the few industrial sectors that has long seen geopolitics as core. As you said in our preparatory session, geopolitics is part of our everyday lives. You have headed the topics of strategy and sustainability with TotalEnergies over the past ten years. It is a great privilege to have you with us, representing a key player in an extractive industry, and we are very interested to hear your perspective on this fragmented, multi-aligned world.

Helle Kristoffersen

Thank you, Nikolaus, and good afternoon everyone. It is a very broad topic, and a lot has already been said. I just want to say that when I think about geopolitics, I am always cautious about not having too much of a Western perspective. We have to be careful about bias and you helped us with that Maurice. I am happy to be at this conference where there are so many people from so many parts of the world because it is a great opportunity. My second quick introductory comment is that as a business leader, we firmly believe that businesses help to build bridges, so we are also here to build bridges between all these different parts of the world we have heard about.

In preparing for the conference, I looked at some recent risk reports from insurance companies and risk assessment specialists. Interestingly, whatever the part of the world we look at, the three top risks are the same, then the other risks are different in different geographies. The top three are the same for everyone and they are geopolitics, cybersecurity, and climate change. Apparently, these are things that everybody shares wherever they are from. Then of course, the three are linked. I do not think I need to make the link between cybersecurity and geopolitics, but let us say that climate inaction will of course create geopolitical tensions, migration, drought, fights for water, etc. The top three risks we share are also intrinsically linked and I am going to focus on geopolitics, but you know that TotalEnergies has embarked on a strategy that embeds climate and sustainability in our strategy and we are becoming a multi-energy company. We absolutely want to be a leader in the ongoing transition, while continuing to serve the needs of people's daily lives, which still depend very much on oil and gas.

As you said, geopolitics is of course embedded in our model because natural resources are where they are, and I will talk about power in just a second. The interesting thing is that the geopolitical risk is not always where people think it is. When I meet with investors, until recently I always had a favourite kind of discussion, which was five years ago, our investors would consider that maybe we had invested too much in Africa and associate that with geopolitical risk. When I asked what they were afraid of, they would say being hurt by fiscal instability, my answer was 'that is fantastic, I agree on the risk but the two countries where we have seen most fiscal instability as a company are the UK and Norway'. Then people look strange, but they chew that over. Again, there is bias over which countries are risky or not. What is new is the sanctions. Until very recently a company like ours, present in 130 countries, had to follow very few sanctions and I am talking about UN sanctions, there were a couple of countries like Sudan and Cuba. Before the war, going back to 2010, 2012, we have seen unilateral sanctions beginning to pick up and the data is really interesting, and if you have the time you should take a look. They are unilateral and a lot of them are from the US, some of them from the EU and some from other countries, but the curve goes up, it is just a new world because of these unilateral sanctions. Those sanctions can be geographic, thematic on weapons, human rights, cyber, etc., but that does create a completely new world for us and again, and this was true even before the Ukraine war started.

How do we deal with this environment as a global company? There are seven points.

1. Compliance: We spend a lot of time being compliant. We are listed in the US, and we cannot afford not to comply with all the sanctions and other regulations out of the US. We could talk about Iran, etc., this is an old story, but it becomes more and more time consuming and certainly an area of risk and therefore of caution.
2. Diversification: We have an unwritten rule in our company, which is we cannot invest more than 10% of our cumulative capital in the same location. 10 or 12 years ago, Nigeria was high up and flirting with 10% and at the end of 2021, Russia was 10%. Because we are a capital-intensive industry, usually when a given country or geography is at 10% in investments, it will not be as high in cash because we invest and then reap the benefits over time. In terms of cash, to be clear, Russia was only about 5% at the end of 2021. That is a key driver of how we look at investment diversification.
3. We prefer liquid markets. Oil is very liquid and so are oil products, which are very easy to ship from point A to point B. We have always favoured liquified natural gas over domestic gas and this is how we have become one of the leaders in the LNG market and why I would say we are not impacted by anything related to the halt of all the piped gas flows from Russia to Europe, because we have always shied away from more local markets.
4. Suppliers and technology: We spend a lot of time looking at our supply chains, again this was before Covid or the current crisis, we are just careful that we are not over-exposed to any given supplier or technology. In addition, purchasing sits within my organization, Strategy & Sustainability, because it is a driver for sustainability through green roadmaps but also a strategic area.

5. Our diversification from oil and gas into power: Again, we are not diversifying and changing our strategy because of geopolitics but as we embed climate and sustainability into our model, as we invest increasingly in green and integrated power, we effectively also diversify the geographies. We have a rule of thumb, 50% of our power investments in deregulated markets, 50% in regulated markets. The bulk of the deregulated markets happen to be OECD so, as a consequence, our strategy effectively also builds up resilience in terms of geopolitics.
6. Everything we do in crisis preparation, which we can talk about during the Q&A if you are interested. Of course, Covid was a real live crisis that came up on all of us and, as a critical infrastructure provider, we had to cope with it and continue to work efficiently and provide fuel to all our customers around the world. It is a real-life example of resilience and of course, a lot of it is linked to organization and preparedness but also to the quality of our people. I mirror your six areas Nikolaus and pay tribute to our fantastic people.
7. This is simply our financial strength to be resilient and weather the storms. We will be virtually debt-free by the end of the year, and we have said for many years that we want to have a strong balance sheet because we are in a volatile market. Prices go up and down and we are price takers not price makers, so financial strength is certainly also an important area of resilience.

Just to conclude and handing over to Sam, for us geopolitics is indeed inherent in our business. I am also in charge of cyber, so the third big risk, but actually my teams work on all three, climate, cyber and geopolitics. There is maybe an interesting new risk to discuss if you want, which is the fact that governments are back even in deregulated markets. We see that in the US and the EU, so maybe there is a new risk linked to government intervention in the business arena and an erosion of the confidence in free markets, which as a company we tend to prefer.

Just on energy, of course, the challenge today is to reconcile the ongoing energy transition, which is absolutely necessary but cannot happen overnight, with energy security risks and energy prices. I will conclude by saying that as a company we think we can be part of the solution.

Sam, I hand over to you.

Nikolaus Lang

Thank you very much, Helle. It is really interesting to see that geopolitics has always been a core concern for extractive industries and to understand that the fiscal instability in the UK and Norway is sometimes more challenging than exposure to geopolitical hotspots.