



TotalEnergies

Chairman of the Board
Chief Executive Officer

Human Rights Watch

Mr John Sifton
Director of Advocacy for Asia
Mr. Arvind Ganesan
Director of Business and Human Rights
350 Fifth Avenue, 34th Floor
New York, NY 10118-3299
USA

Paris, January 18, 2022

Gentlemen,

I have received your letter of 9 December 2021 in which you call on TotalEnergies *"to indicate its support for measures (...) to stop foreign currency payments to junta-controlled entities that contribute to or enable the human rights abuses committed by the junta."*

I can confirm that our company has, over the last few months, had exchanges with the French and American authorities concerning the implementation of targeted sanctions on financial flows. They are fully aware that TotalEnergies will not only comply with any sanction decision from the European or American authorities but also supports the implementation of such targeted sanctions. We have formally requested the French Ministry of Foreign Affairs that these sanctions can be set up with a view to putting in place a legal framework to respond to calls requesting us to stop the financial flows resulting from the production of the Yadana field to MOGE, the national company of Myanmar. Indeed, should MOGE be subject to economic sanctions, this could lead all parties concerned to place the financial flows in escrow accounts.

That being said, I think it would be useful to remind you, first of all, that TotalEnergies has repeatedly, publicly and very firmly condemned both the violence and the human rights abuses committed in Myanmar. In view of this worrying context, you should know that all our actions and decisions since the February coup have been guided by a constant assessment of solutions that allow us to take into account respect for the human rights of the civilian population and our employees, while complying with the laws and conventions in force at the national and international level.

As such, we have decided to terminate our projects while maintaining the operation of the existing Yadana gas field. This decision was taken not to maintain the profits associated with our share of production (which represents less than 1% of the company's total production), but to avoid a deterioration in the living conditions of the population and to guarantee the safety of our personnel. Indeed, this gas is used as a source of electricity for a large population in Yangon and, as far as they are concerned, the Thai authorities have alerted us to the importance of this source of energy for their population in western Thailand.

Any cut in gas supply, and consequently any risk of electricity cuts, must be assessed against the potential impact on the daily lives of citizens.

Postal address: 2 place Jean Millier - Arche Nord Coupole/Regnault
92078 Paris La Défense Cedex - T.: +33 (0)1 47 44 45 46

TotalEnergies SE
European Company with a capital of 6 574 599 040 euros
Registered office: 2 place Jean Millier - La Défense 6 - 92400 Courbevoie - France - 542 051 180 RCS NANTERRE

TotalEnergies, through its subsidiary TotalEnergies EP Myanmar (TEEPM), is the operator of the Yadana gas field in Myanmar (blocks M5-M6). The gas is produced by an unincorporated joint *venture* comprising the following partners: TEEP, a French company, the operator of the joint venture (31.24%), Unocal, a US company of the Chevron Group (28.26%), PTTEP, a Thai company (25.5%) and Myanmar Oil and Gas Enterprise or "MOGE", a Burmese state-owned enterprise (15%). The gas produced is sold: (i) as domestic gas (approximately 30% of gas production) to MOGE for the Burmese market through a domestic pipeline owned by MOGE, and, (ii) as export gas (approximately 70% of gas production) to PTT, the Thai national oil company, through an export pipeline owned by Moattama Gas Transportation Company (MGTC). The shareholders of MGTC are : TotalEnergies EP Profils Petroliers, a French company (31.24%), Unocal (Chevron - USA - 28.26%), PTTEP (Thailand - 25.5%) and MOGE (15%).

With regard to financial flows, the contractual arrangements in place since 2009 are so that all payments made to MOGE, as representative of the State of Myanmar or as a joint venture partner, are in fact made by PTT, the Thai state-owned company that buys the export gas. The royalties included in the production sharing contract are to be paid to the State by each seller (including MOGE as a joint venture partner) but, in practice, and as provided for under the export contract, they are paid by PTT to MOGE from a portion of the proceeds of the gas sale, on behalf of each joint venture partner.

Thus, each month, TEEP, as operator, issues a statement and invoice to PTT summarising the net amount payable under the PSC (*Production Sharing Contract*): (i) to the joint venture partners, (ii) to the State of Myanmar through MOGE and, (iii) to MGTC for the transmission tariff. Payments are made by PTT to each of the four gas production joint venture partners, thus to MOGE for its share of the joint venture and for the amounts due to the State of Myanmar. PTT pays the monthly transportation tariff to MGTC directly.

There is therefore no financial flow between TotalEnergies and MOGE, neither for the sale of export gas nor for the supply of domestic gas. The domestic gas is in fact delivered to MOGE and recorded as paid "in kind" by TotalEnergies and is offset against export revenues. In fact, the amount corresponding to the quantities of domestic gas delivered is deducted from the gas revenues exported to PTT on MOGE's share.

Thus, as regards the revenues and royalties related to the production and sale of gas which constitute the vast majority of the revenues derived from this production by the State of Myanmar, it is materially impossible for TotalEnergies to place the funds in an escrow account as the money corresponding to the sales of gas due to the State of Myanmar and/or to MOGE does not transit through the accounts of TotalEnergies and TotalEnergies does not therefore make any of the payments corresponding to the exports of gas to MOGE

In addition, you will note that following a joint proposal made by TotalEnergies and Chevron at the MGTC (Moattama Gas Transportation Company Limited) shareholders' meeting on 12 May, monthly distributions to all shareholders (TotalEnergies (31.24%), Chevron (28.26%), PTTEP (25.5%) and MOGE (15%)) have been suspended with effect from 1st April 2021.

With regard to taxes paid by TotalEnergies for corporate income tax, personal income tax (withheld and paid on behalf of employees), and withholding tax on purchases of goods and services, we would like to remind you that non-payment of these taxes is considered a crime under the applicable laws and would expose our staff to liability. Furthermore, it is not only Myanmar laws but also international regulations that would put TotalEnergies Myanmar in breach of its national and international obligations if we were to cease payment of taxes due and more generally if we were to breach the contractual provisions that bind the various partners of Yadana and the State of Myanmar through MOGE.

In this context, we have decided to make donations to human rights organisations in Myanmar in an amount equivalent to the taxes actually paid by our subsidiary to the Myanmar State Treasury.

In reality, to stop the payment of these taxes, in the absence of sanctions, gas production would have to be stopped.

Given the above, I hope you will understand the dilemmas TotalEnergies faces and that, far from supporting the military regime in Myanmar, we make our decisions with due regard for the human rights of the civilian population and our staff. I hope that these few lines will highlight how the company is using all the levers at its disposal to do so.

Yours sincerely

Patrick Pouyanné
[French Original version signed]

Translation for information purposes only - Original in French language