



**TOTAL**

## **Economic Performance and Corporate Responsibility**

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Forum for Socially Responsible Investment - Paris, June 4, 2003

Investor Relations - [www.total.com](http://www.total.com)

# TOTAL: Economic Performance and Corporate Responsibility

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- **Developing our business**
  - Ethics and Governance
  - Upstream, Downstream, Chemicals
  - Value creation
- **Priority to safety and environment**
- **Social responsibility**



# Developing our business



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# Total: 4th largest international oil and gas major

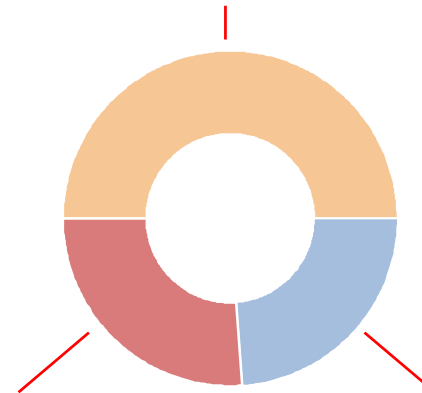
## Company profile\*

- Market capitalization 90 B€
- Net income 6 B€
- Capital expenditure 9 B€
- Presence in 120 countries

## Capital Employed by Business Segment\*

### Upstream: 50%

- Exploration and Production
- Gas and power



### Downstream: 26%

- Refining and marketing
- Trading and shipping

### Chemicals: 24%

- Base chemicals
- Intermediates
- Specialties

\* 2002 figures



# Business principles

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- **Code of conduct and Ethics committee**

- The TOTAL **Code of Conduct** states the guiding values and business principles governing acts of all Group members (translated in 10 languages and disseminated throughout the Group)
- The **Ethics committee** can be consulted directly by every employee on a confidential basis
- Ethical performance is measured through “ethical profiling” of subsidiaries

- **Implementation of good governance**

- High level of disclosure
  - Disclosure of compensation of Directors, CEO and Executive Committees and of stock option programs
  - Implementation of recommendations of Sarbanes-Oxley act for disclosure of financial information
- Board of Directors
  - 13 independent\* Directors out of 14
  - 2 committees (Remuneration & Nomination, Audit)
  - Director’s Charter in place

\* According to guidelines presented at the May 6, 2003 AGM

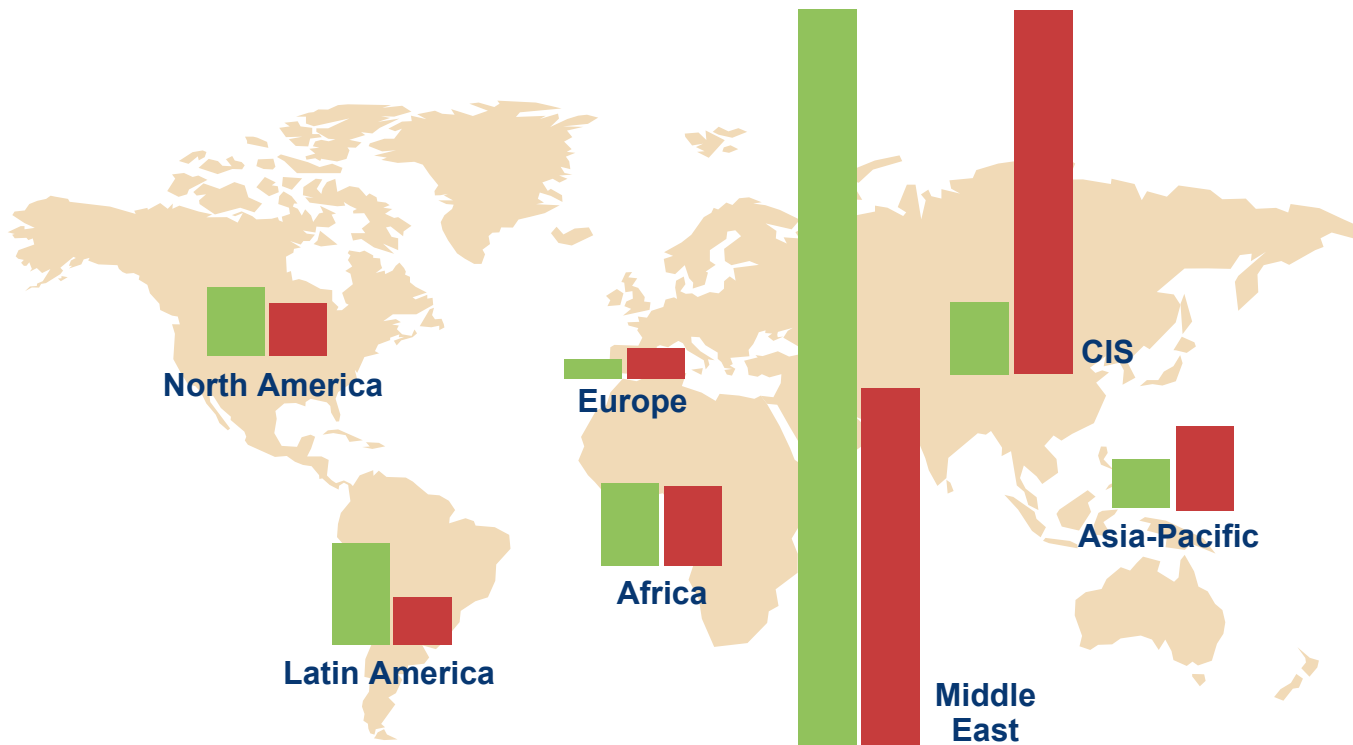
# Upstream



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# World oil & gas reserves



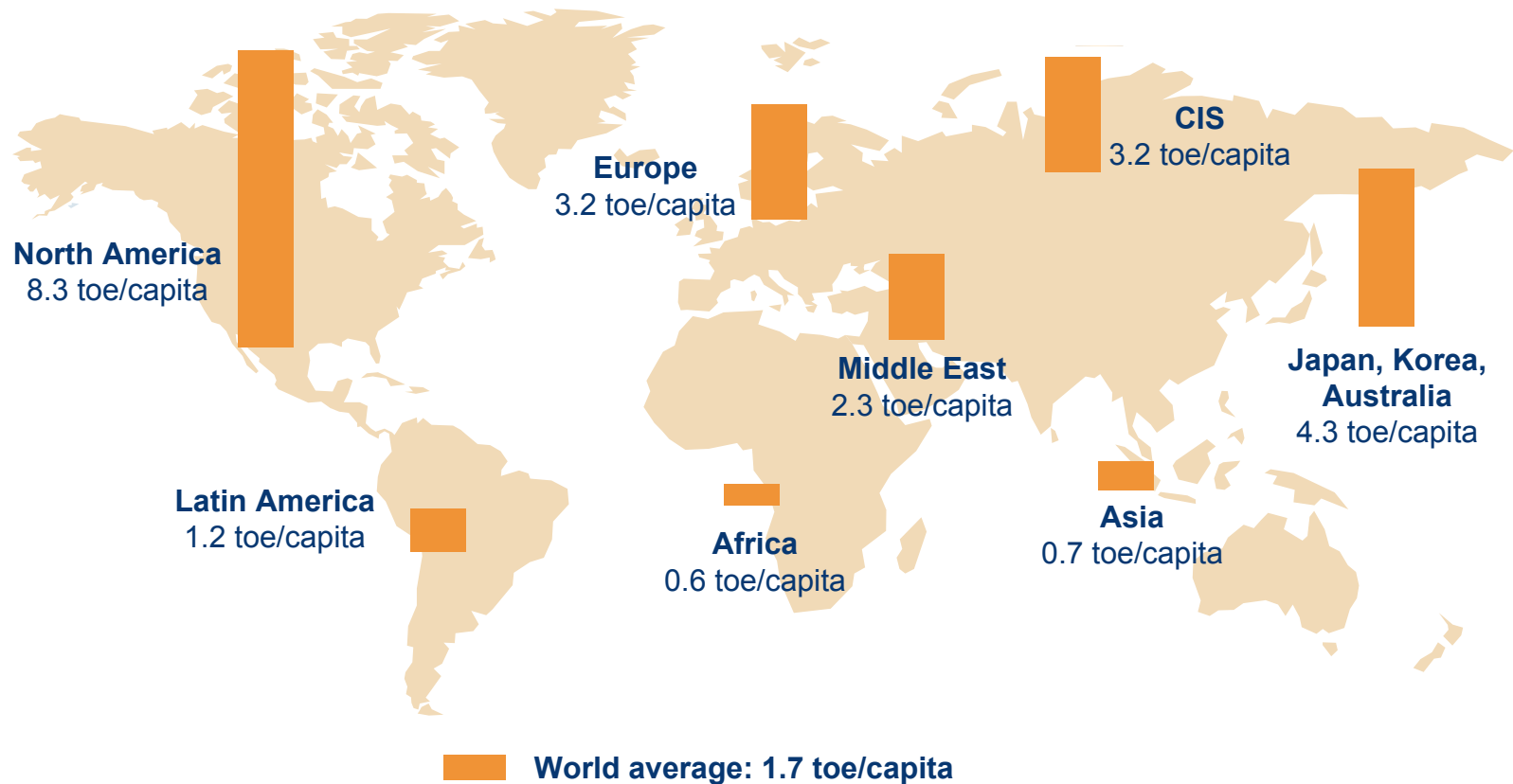
- **World proven reserves:**
  - Oil: 1.0 Bb, 40 times current yearly production
  - Gas: 1.1 Bboe, 67 times current yearly production
- **Competitive cost of production for hydrocarbons vs other energy sources**

Source: Oil and Gas Journal, Cedigaz



# Energy consumption growth is expected to occur in developing countries

## Annual energy consumption per capita



toe : ton of oil equivalent

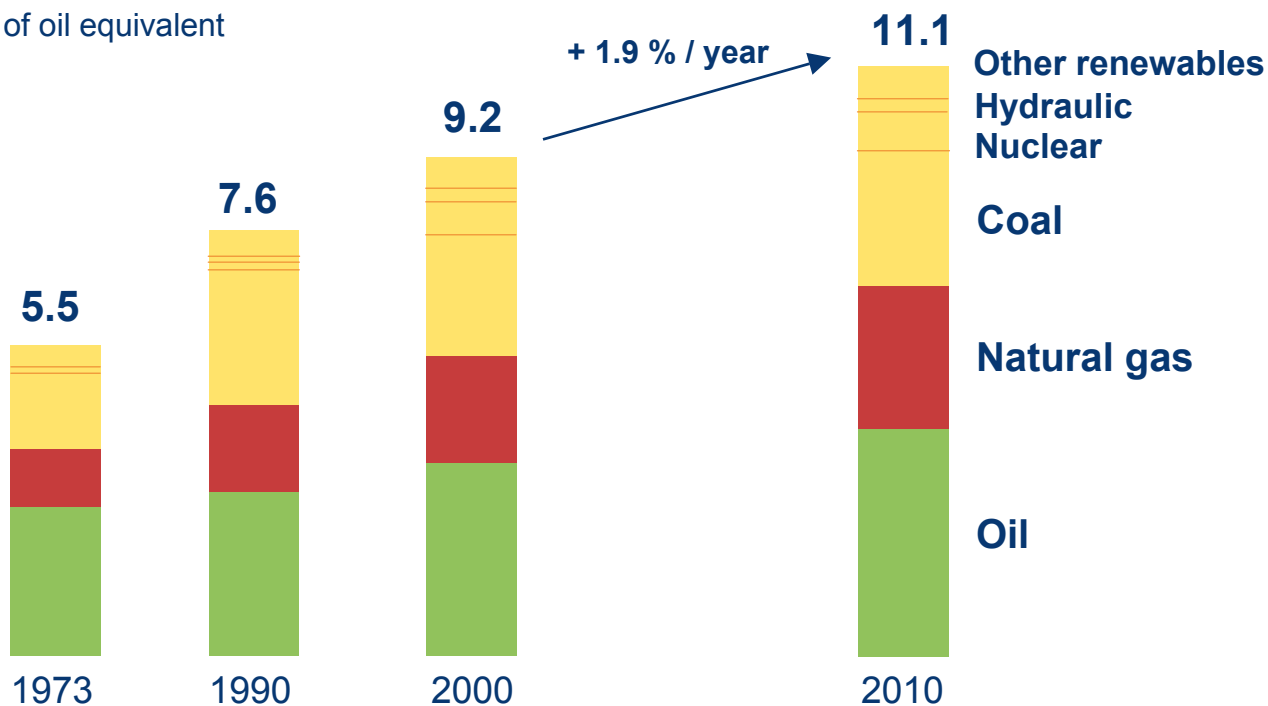
Source: IEA



# Oil and gas should remain the dominant energy sources in the next decade

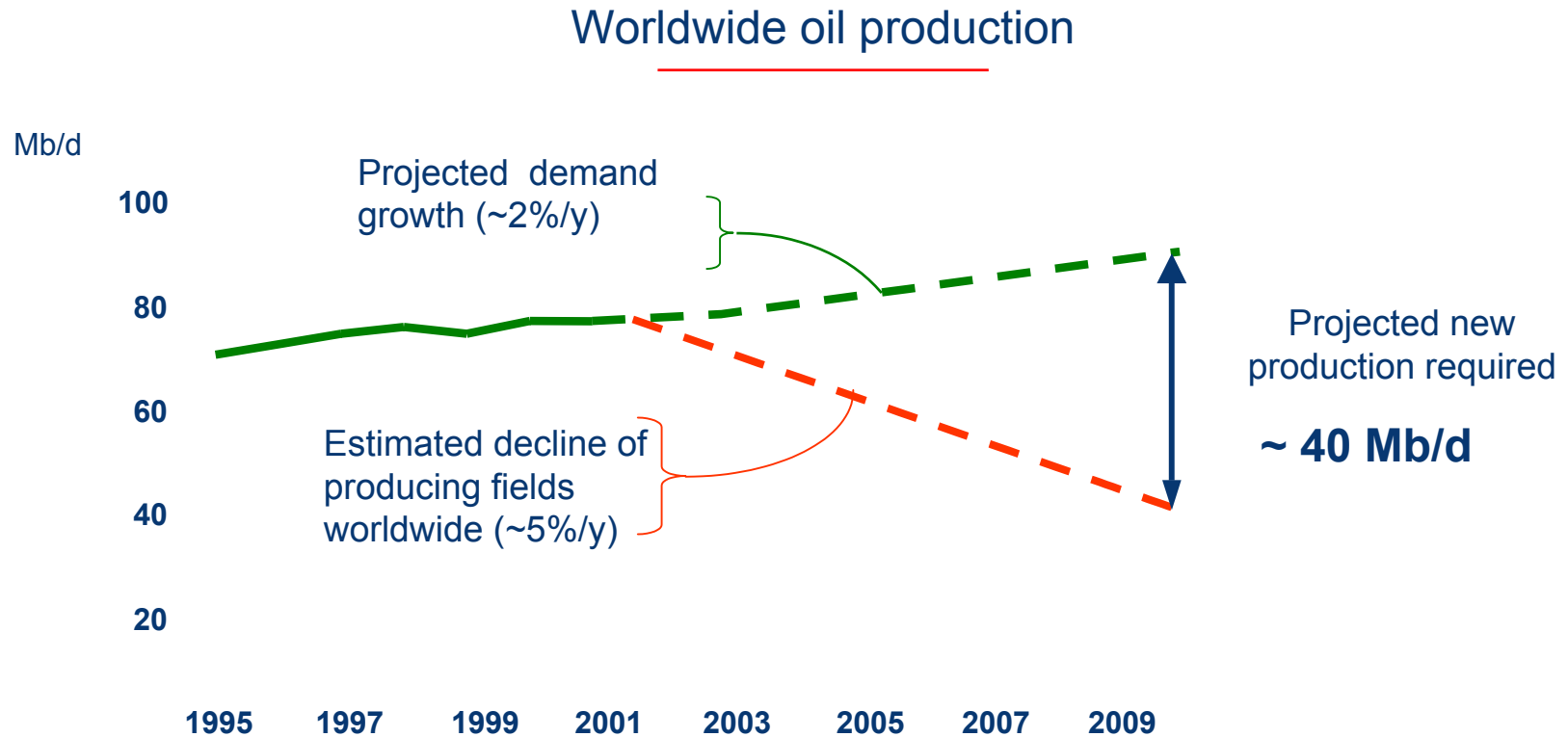
## Worldwide demand (IEA forecast\*)

Billions of tons of oil equivalent



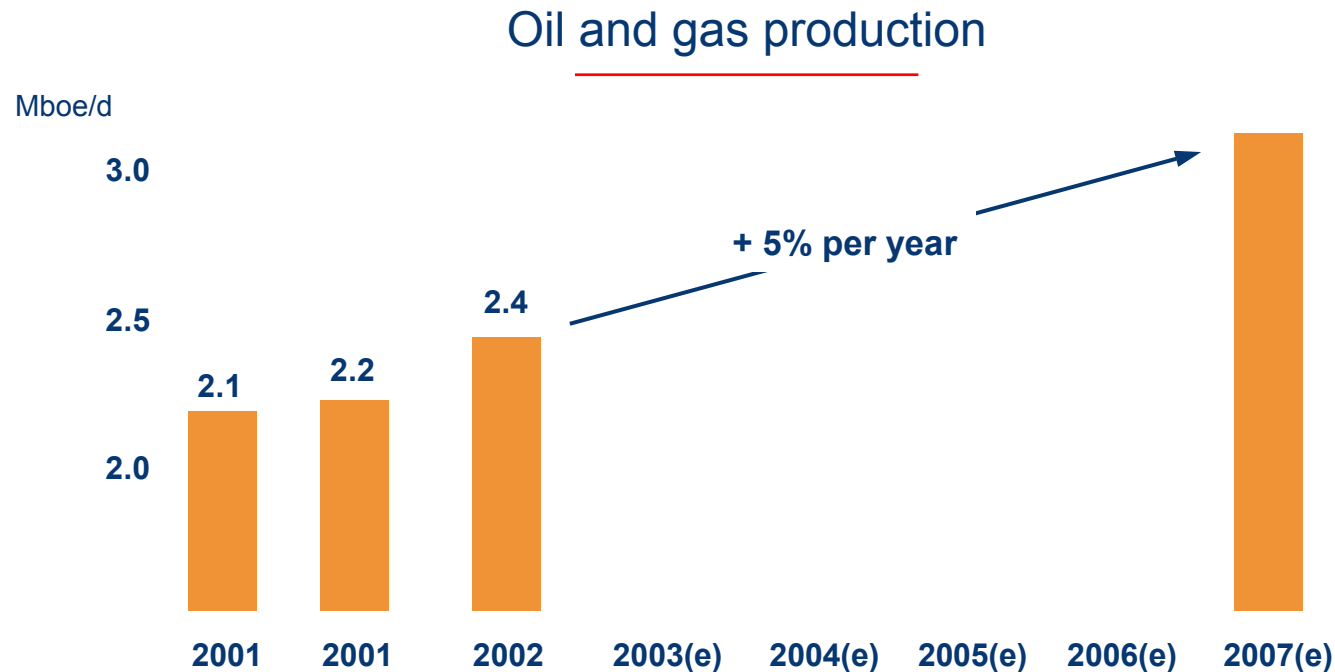
\* this outlook assumes a world GDP annual growth of 3.2 %  
source : IEA World Energy Outlook 2002

# Industry challenge: supplying oil demand growth



***75 Mb/d of oil produced worldwide in 2002***  
 ***$\sim 40$  Mb/d of new oil required within the decade***

# TOTAL: strongest production growth among the majors

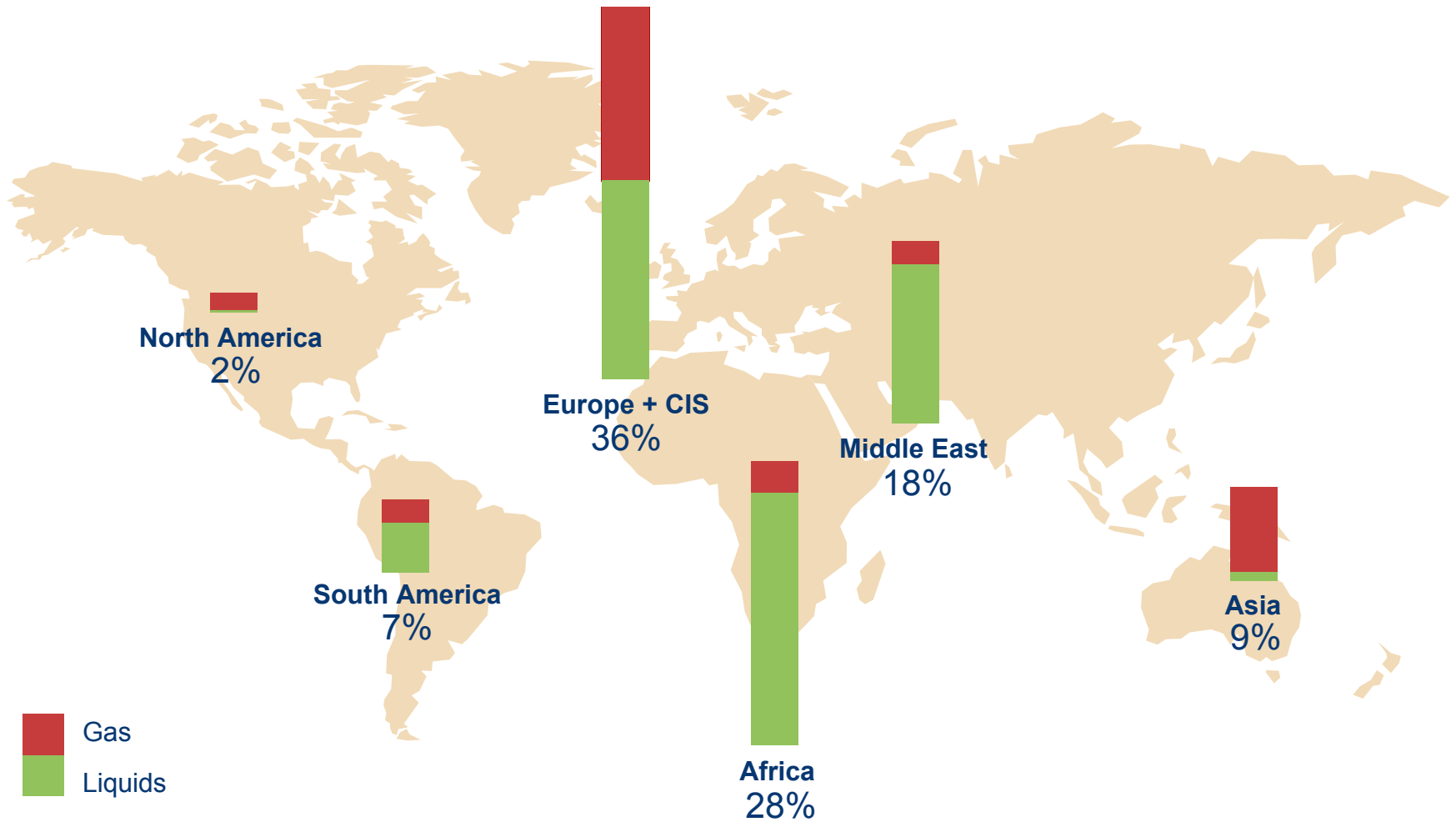


- Numerous new projects
- Limited decline of production from existing base
- 2/3 of Group's CAPEX dedicated to Upstream with strict financial hurdle rates to ensure profitable growth

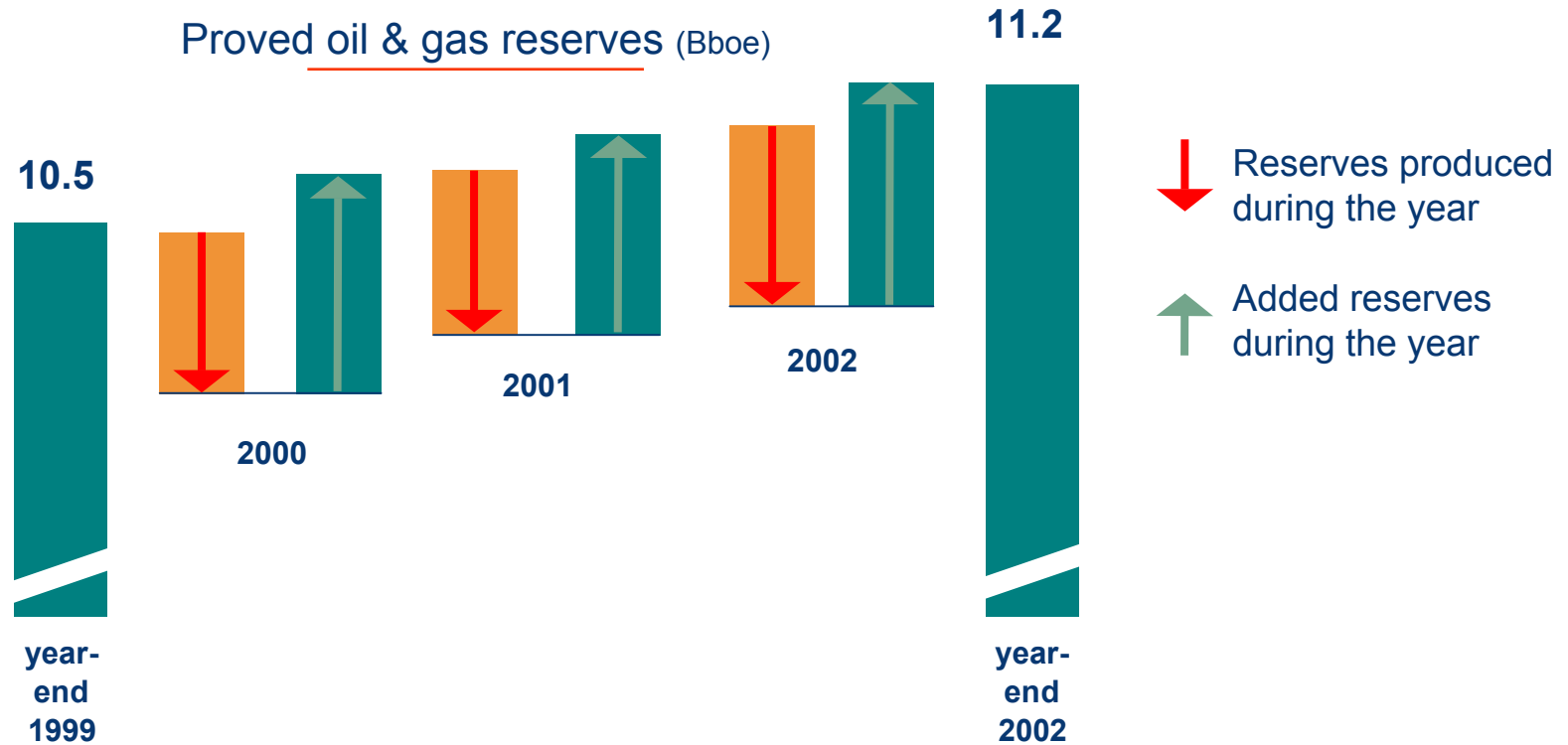


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# TOTAL oil and gas production by region in 2002



# Increasing reserve base to sustain future production growth



- Sustained effort in exploration (750 M\$/year on average)
- Strong reserve replacement rate : 151% over 2000-2002

➡ competitive organic growth

reserve replacement rate for consolidated subsidiaries only (FAS 69)



# Strong contribution of technology to growth

- **Cutting-edge technologies implemented successfully to tap frontier reserves**
- **Continuous R&D effort to increase recovery rate of reserves in place**

⇒ **Optimising recovery of natural resources**

## 3 frontier fields operated by TOTAL



- UK: Elgin Franklin**
- High-pressure / High-temperature field



- Angola: Girassol**
- Deep-offshore field 1400 m water depth



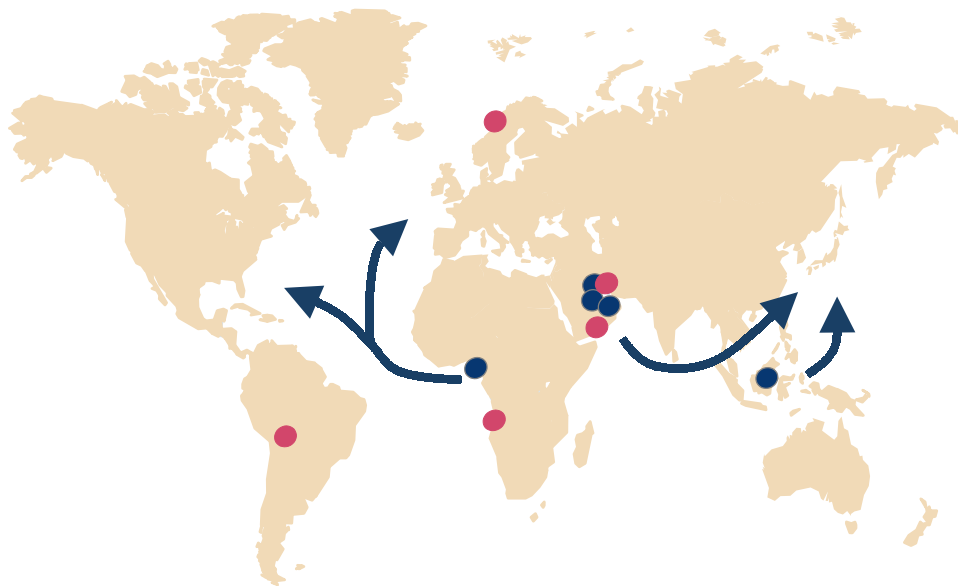
- Venezuela: Sincor**
- Extra-heavy-oil upgraded to synthetic oil



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# Valorizing natural gas resources remote from markets

## Participation of TOTAL in LNG plants/projects



- Existing LNG plants
- Projects or plants under construction

- **TOTAL is a global player in the LNG business :**
  - Gas reserves represent 35% of the Group's reserve base
  - Presence in 40% of worldwide LNG capacity
- **TOTAL LNG sales to grow to 10 Mt in 2007(e) from 5.7 Mt in 2002**



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# Downstream



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# Refining: Leader refiner in Europe

## European refineries with TOTAL participation

- **Optimized European system through hub management of neighboring refineries**
- **Continuing to upgrade the industrial set up**
  - Upgraded refineries to produce high quality products such as ultra-low-sulphur fuels
  - Investments to improve safety and reliability of refineries
- **Strict capital discipline and continuous reduction of breakeven**



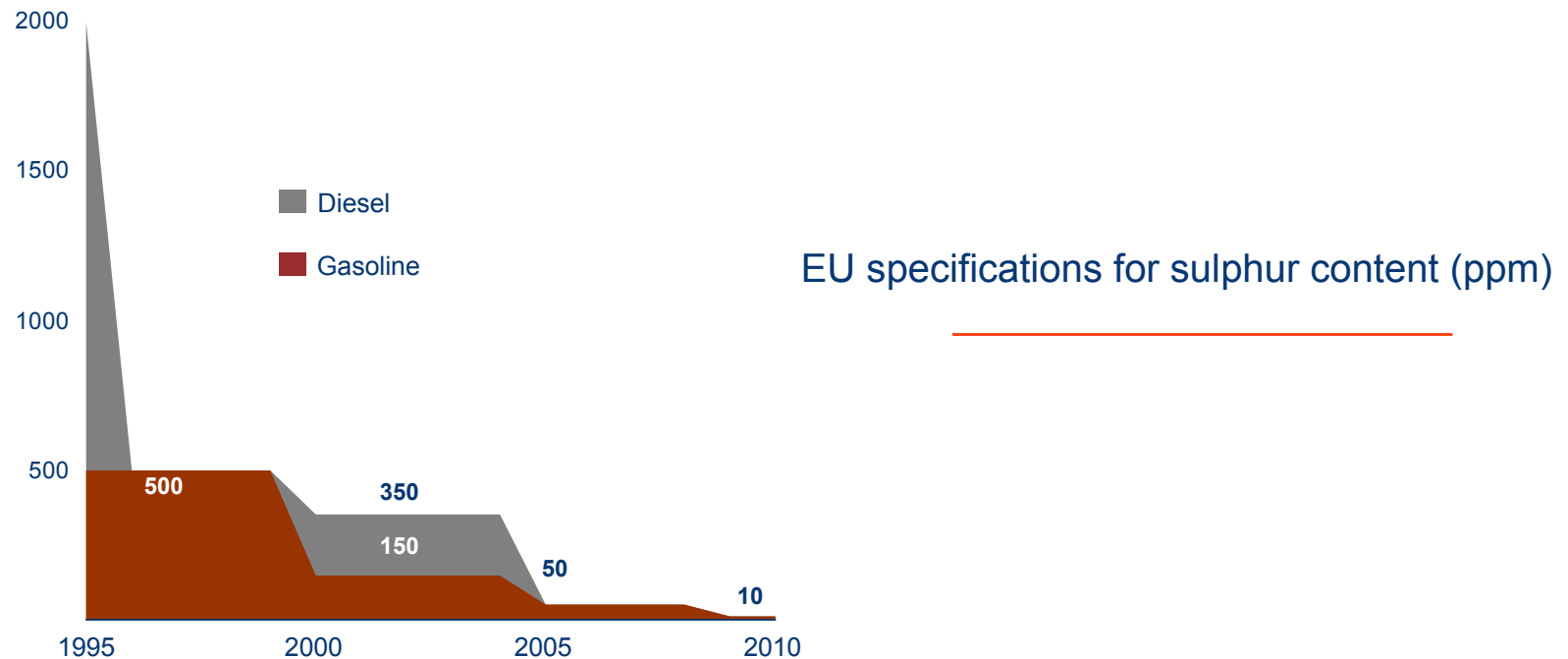
\* Cepsa



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# Curbing transportation emissions

- **Dramatic reduction of sulphur content in motor fuels**

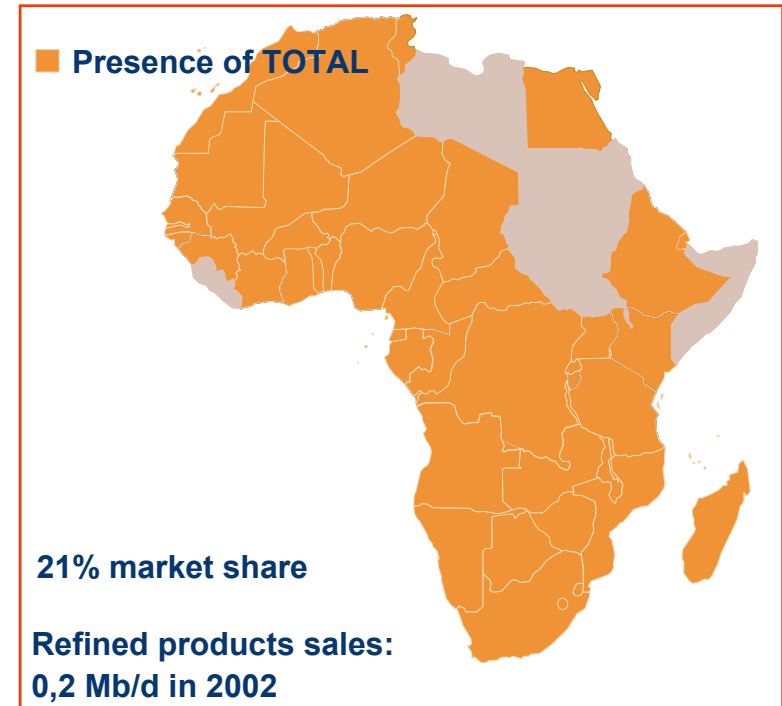
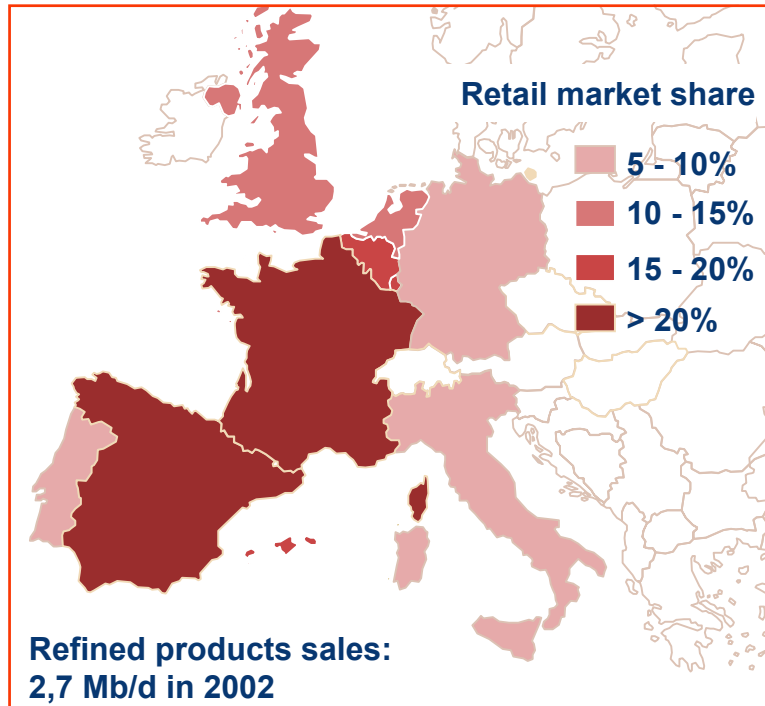


- **Challenge to develop efficient technologies allowing production of clean fuels with limited CO2 impact**



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# Marketing: strong player in Europe and Africa



- **Improved competitive position in Europe**
  - Pan European customer-oriented policy (brand unification, fleet cards, IT system)
- **Strong player in African growing markets**
  - Expertise thanks to long term historical presence



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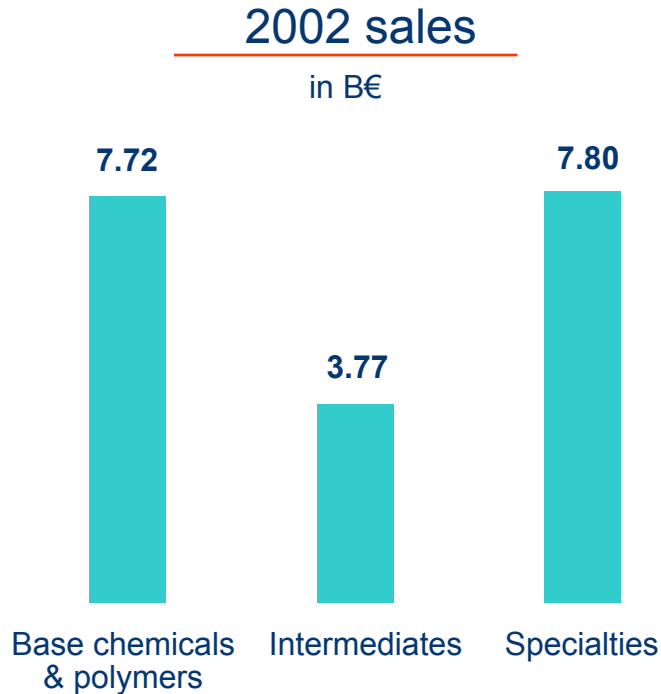
# Chemicals



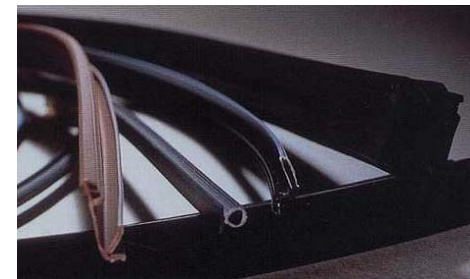
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# Chemicals: 3 business sectors

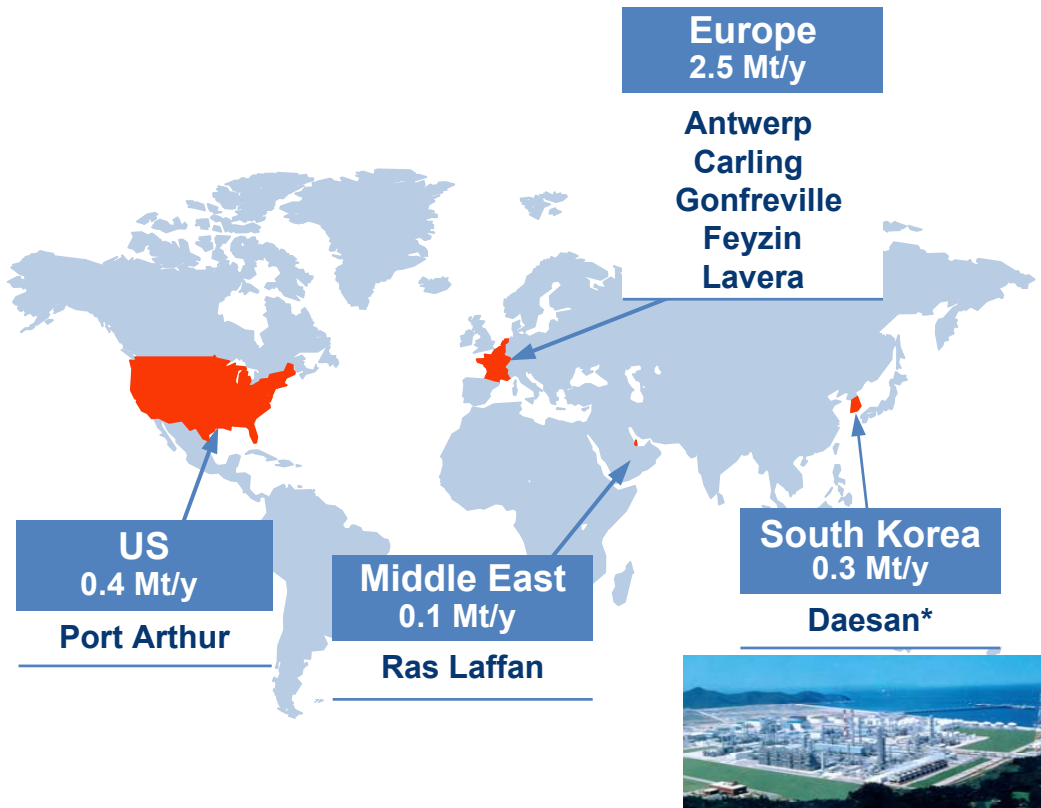


- **Base chemicals & Polymers:** large-scale sites benefit from low unit fixed costs
- **Intermediates:** very diverse portfolio
  - Developing leadership positions in growing markets
  - Active portfolio management
- **Specialties:** 6 business lines with worldwide leading positions



# Strong petrochemical positions

## Cracking capacity (net)



- High level of industrial integration between refining and petrochemicals
- Access to Middle East feedstock thanks to integration with Upstream activities
- New position in Asia to seize growth opportunities

\* pending completion of transaction



# Enhancing acceptance of our chemical activities

- **Transparency and dialogue with local communities near our sites**
- **Actions :**
  - Regular reporting to local authorities about activities at the sites
  - Communication with people living in the vicinity of our sites as well as with associations and local personalities
  - Immediate information in case of abnormal “event”
- **“Common ground” communication campaign:**
  - Launched in France in 2002,
  - Extended to Germany, Belgium, Italy, Spain, and China in 2003



# Value creation



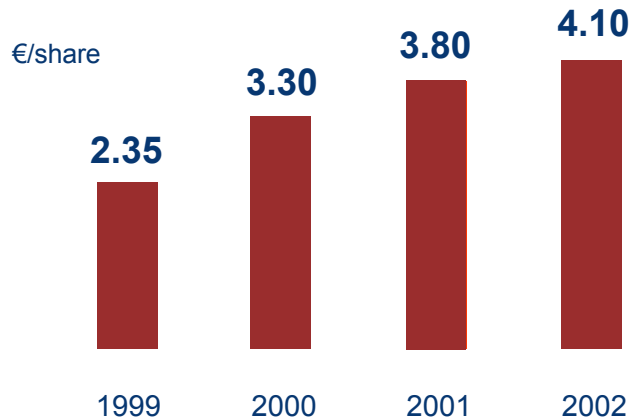
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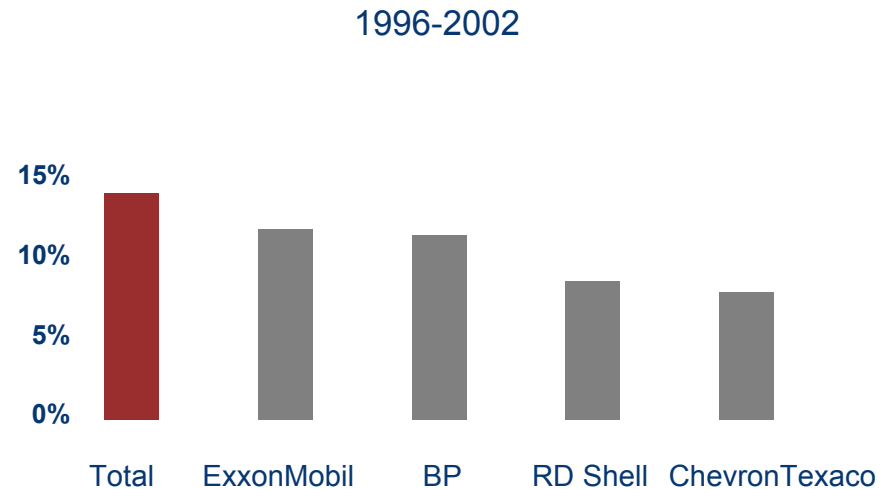
# TOTAL: Strong financial performance

- 15% Group ROACE\* in 2002

Dividend increased by 74% over 3 years



Superior annual total shareholder return\*\*

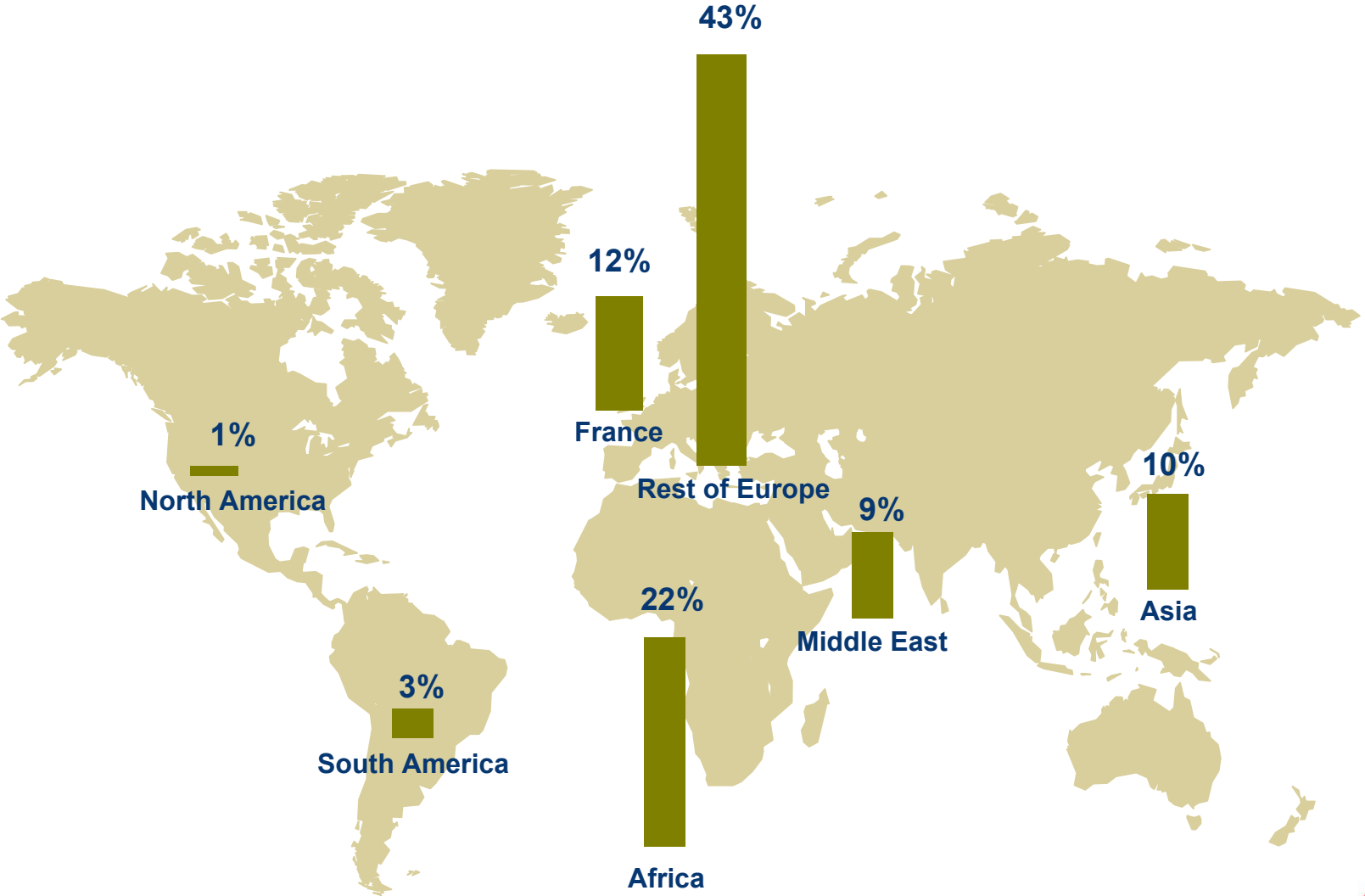


\* ROACE : Return On Average Capital Employed

\*\* annualized return to shareholder: IRR for TOTAL, Exxon, RD Shell, BP and Chevron shareholder based on one share purchased 1/1/n, receipt of dividend (excl. tax credit) and sale of the share on 12/31/02



# Geographical breakdown of results



breakdown based on average 2001- 2002 net operating income from the business segments, excluding non-recurring items



# Continuing to implement a proven strategy that creates shareholder value

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- **Upstream production growth of 5% per year from 2002 to 2007, well above targets set by the other majors**
- **Divest non-strategic assets and actively manage Chemicals portfolio**
- **Setting consistent growth and profitability targets motivates the workforce**
- **Increase profitability in each business segment\* by 2005**
- **Pursue accretive buy-back program while maintaining gearing at about 30%**

 ***Continued EPS growth\****

\* in a constant reference environment



# Priority to Safety and Environment



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# Priority to safety: action plan

- Strong commitment to safety by all employees starting with top management
- Periodic reappraisal of risks and safety procedures across all sites - Audits
- Exchange best practices across all sites
- Long-term capital investment plan (500 M€ over 4 years) to enhance safety

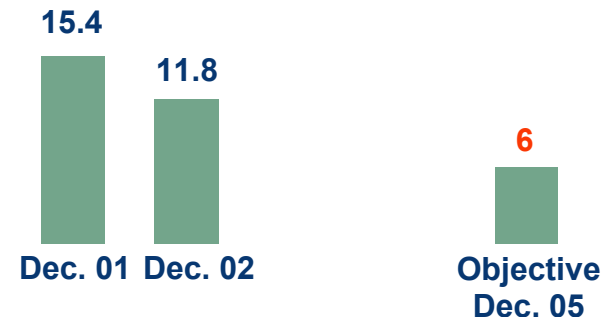


**Objective set early 2002:  
Reduce accident frequency by 15%  
per year over 4 year period**

**2002 results in line with the objective**

## Total Recordable Injury Rate

Accidents /  
Million of hours



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# Safety of maritime transport

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- **Commitments of TOTAL**

- Further strengthen in-house vetting rules
  - For vessels larger than 30,000 t, ban on using any that are more than 20 years old (instead of 80,000 t limit in the past)
  - Ban on using vessels more than 15 years old for transport of fuel oil
- Ongoing effort to accelerate fleet renewal
  - Average age of vessels on time-charter to TOTAL < 7 years, one of the lowest in the oil industry

- **Dedication to promote improvement of maritime transport rules with all parties involved**

- Full support to the increase of FIPOOL ceiling



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# Curbing greenhouse gas emissions

- **Consuming energy more efficiently**  
eg. Modernize and adapt installations
- **Improving industrial processes**  
eg. Zero flaring policy for all new fields, valorize associated gas
- **Developing new technologies**  
eg. Develop cogeneration

Targets for reduction of GHG in 2005 vs.1990  
(increased in 2003)

<b>Upstream</b>	<b>- 30%</b>
(per ton produced of operated production)	
<b>Downstream</b>	<b>- 20%</b>
(per ton produced of operated production)	
<b>Chemical</b>	<b>- 45%</b>
(in absolute terms)	



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# Proactive approach to protect the environment

- **Minimizing the impact of our activities on the environment**

- Reducing emissions of pollutants in the air
- Protecting fresh water and marine environment
- Managing industrial waste and rehabilitation of sites

1996,  
during exploration  
drilling in Bolivia



2001,  
after restoration



- **Involvement in industrial promotion of renewable energy**

**Biofuels:** Leader in Europe

- Produced from biomass, biofuels offer new markets for agriculture

**Photovoltaic Solar energy:** Electricity for populations remote from the grid

- Capitalizing on the experience of *TOTAL Energie*
- Significant electrification projects launched in Morocco and in South Africa

**Wind energy:** Putting industrial expertise to work

- Installation of five high-capacity wind turbines at the Dunkirk refinery
- 2 offshore projects being studied



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# Social responsibility



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# Human resources

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- **Promoting diversity of culture, nationalities and gender**
- **Develop Group identity and expertise through intensive training programs**
- **Active recruiting: 7,800 employees hired under long-term contracts in 2002**
- **Employees' benefits**
  - Demanding health standards including in emerging countries
  - In-house employee insurance and retirement plans on top of legal schemes
  - Expatriation procedures tailored to promote international mobility (Healthcare, retirement, spousal mobility, children's schooling)
- **Implementation of an improved reporting system on HR**



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# Relationship with neighboring communities

- **Enhancing acceptance of our industrial activities**

- Transparency and dialogue
- Continuous communication with people and associations living in the vicinity of our sites
- Reporting to local authorities about activities at the sites
- Immediate information in case of unusual “event”



- **Approach with local communities based on long-term partnership**

- Social and economic programs: active participation of local inhabitants in the definition of programs (75 M€ spent in programs in 2002 in non-OCDE countries)
- Skill development for employees
- Partnerships with NGO's which are involved locally



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# Conclusion: meeting challenges and ensure sustainability of our business

- Leverage oil and gas resources in a profitable and responsible way
- Limit impact of our operations on the environment
- Broader responsibility vis a vis employees, societies and communities

