

Vote Bulletin: Equinor ASA

Company	Equinor ASA (Oslo Exchange: EQNR)
Market and Sector	Norway/Oil and Gas
Meeting Date	11 May 2021
Key Resolutions ^{1,2}	<p>Item 8: Instruct Company to Set Short-, Medium-, and Long-Term Targets for Greenhouse Gas (GHG) Emissions of the Company’s Operations and the Use of Energy Products (Shareholder resolution)</p> <p>Item 9: Instruct Company to Report Key Information on both Climate Risk and Nature Risk (Shareholder resolution)</p> <p>Item 10: Instruct Company to Stop all Exploration Activity and Test Drilling for Fossil Energy Resources (Shareholder resolution)</p> <p>Item 11: Instruct Board to Present a Strategy for Real Business Transformation to Sustainable Energy Production (Shareholder resolution)</p> <p>Item 12: Instruct Company to Stop all Oil and Gas Exploration in the Norwegian Sector of the Barents Sea (Shareholder resolution)</p> <p>Item 13: Instruct Company to Spin-Out Equinor’s Renewable Energy Business in Wind and Solar Power to a Separate Company NewCo (Shareholder resolution)</p> <p>Item 14: Instruct Company to Divest all Non-Petroleum-Related Business Overseas and to Consider Withdrawing from all Petroleum-Related Business Overseas (Shareholder resolution)</p> <p>Item 15: Instruct Company that all Exploration for New Oil and Gas Discoveries is Discontinued, that Equinor Multiplies its Green Investments, Improves its EGS Profile and Reduces its Risk for Future Lawsuits (Shareholder resolution)</p> <p>Item 16: Instruct Board to Act to Avoid Big Losses Overseas, Receive Specific Answers with Regards to Safety Incidents and get the Audits Evaluation of Improved Quality Assurance and Internal Control (Shareholder resolution)</p> <p>Item 17: Instruct Board to include Nuclear in Equinor’s Portfolio (Shareholder resolution)</p>
Key Topics	Climate risk
Board Recommendation	The Board recommended voting AGAINST these shareholder resolutions
BlackRock Vote ³	BlackRock ⁴ voted FOR Items 8 and 9, AGAINST Items 10, 11, 12, 13, 14, 15, 17, and ABSTAINED from Item 16. We voted in favor of all management resolutions.

¹ Equinor, “[Annual General Meeting](#).”

² In Norway, only one share is required to submit a resolution for shareholder consideration at each annual general meeting.

³ The BlackRock Fundamental Active Equity (FAE) Team voted against Items 8 and 9. Please see the end of this Vote Bulletin for the FAE team’s vote rationale.

⁴ See previous footnote.

Overview

Equinor ASA (Equinor), formerly Statoil ASA, is a Norway-based energy company engaged in oil and gas exploration and production activities. The company is controlled by the Government of Norway (67%).

BlackRock Investment Stewardship (BIS) has engaged with the company to discuss corporate governance issues that we believe drive long-term shareholder value. These included, among others, the oversight and management of climate-related risks and opportunities. When BIS most recently engaged the company, the discussion encompassed the numerous shareholder resolutions included on the ballot at the 2021 annual general meeting (AGM).

On our assessment, Equinor has a robust energy transition plan and climate-related ambitions, which includes the ambition to reach net zero greenhouse gas (GHG) emissions by 2050.⁵ This covers scope 1, 2 and 3 GHG emissions reduction targets.⁶ The company also aims to reduce emissions from its oil and gas operations through its “industry leading carbon efficiency by (i) aiming to reach upstream <8 kg CO₂ per boe⁷ by 2025, (ii) achieving carbon neutral global operations by 2030, (iii) reducing absolute greenhouse gas emissions from operated offshore fields and onshore plants in Norway towards near zero by 2050 without offsets, and (iv) ensuring no routine flaring and near zero methane emissions intensity by 2030.”⁸ In addition, Equinor will grow its renewable energy production capacity to “4-6 GW by 2026 and 12-16 GW by 2035, Equinor equity.”⁹ The company is expected to announce short- and medium-term plans to support its net zero ambition in June.

That being said, there are areas where we think the company could further improve as well as demonstrate continued progress to shareholders. We [believe](#) that the companies that critically evaluate their current baseline, set rigorous GHG emissions reduction targets, and act on an accelerated timeline are those most likely to avoid operational disruption in the future.

Rationale for BlackRock’s Vote

Items 3-7, 18-24: Management resolutions¹⁰ (FOR)

BIS is supportive of Equinor’s management team, including the company’s climate strategy. For this reason, we voted FOR all management resolutions.

As outlined in our [EMEA proxy guidelines](#), at companies where we have concerns about the quality of a company’s strategy, disclosures and/or oversight of risk, our standard course of action would be to hold directors accountable with votes against their re-election. At Equinor, that was not the case. While there were no directors up for re-election at the 2021 AGM, we supported all management resolutions on the agenda.

Item 8: Instruct Company to Set Short-, Medium-, and Long-Term Targets for Greenhouse Gas (GHG) Emissions of the Company’s Operations and the Use of Energy Products (FOR)

BIS voted for this shareholder resolution because, while recognizing the company's efforts to date, supporting the resolution may further accelerate the company's progress on climate risk management.

The binding shareholder resolution requested that the company “set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial

⁵ Equinor, “[Equinor sets ambition to reach net-zero emissions by 2050](#)”.

⁶ See previous footnote.

⁷ barrels of oil equivalent

⁸ Equinor, “[Equinor sets ambition to reach net-zero emissions by 2050](#)”.

⁹ See previous footnote.

¹⁰ Equinor, “[Annual General Meeting](#).”

levels and to pursue efforts to limit the temperature increase to 1.5°C. These quantitative targets should cover the short-, medium-, and long-term greenhouse gas (GHG) emissions of the company's operations and the use of its energy products (Scope 1, 2, and 3). Shareholders request that the company report on the strategy and underlying policies for reaching these targets and on the progress made, at least on an annual basis, at reasonable cost and omitting proprietary information."¹¹

Equinor already publishes much of the information sought by the resolution through its current energy transition plan. While it has a long-term scope 3 reduction target, the company does not currently have a medium-term target, although it will disclose more details on short- and medium-term plans in support of its net zero ambition at a strategy update in June. BIS voted for this resolution because we believe that doing so would reinforce the company's considerations of climate risk and opportunity within its strategy, alongside existing disclosures that demonstrate these actions.¹²

It is important to note that, while we support the specific ask in the language of the resolution, we have reservations about the language used in the supporting statement, namely that "whatever metric is chosen (relative or absolute), the targets must be proven to lead to absolute emissions reductions compliant with the Paris Climate Agreement."¹³ This signals to us that the proponent's intention may be more prescriptive with regards to certain targets and capital allocation decisions, which we believe should ultimately be left to management to decide. We generally believe that investors would benefit from having more clarity on what constitutes targets aligned with the Paris Agreement and we think that organizations like the [Science-Based Targets Initiative](#) will have an important role to play. Until such methodologies are finalized and broadly adopted, we recognize that it might be challenging for any company to *prove* compliance with the Paris Agreement. As a result, our support for this resolution is for the reasons mentioned herein, and not as a direct endorsement of the specific requirements in the supporting statement.

Lastly, as mentioned, we don't have significant concerns about the company's climate strategy, disclosures and oversight of climate risk and opportunities. As such, we did not vote against any members of Equinor's Board of Directors, which would be our standard course of action if we had assessed a company's management to be falling short of our expectations.

Item 9: Instruct Company to Report Key Information on both Climate Risk and Nature Risk (FOR)

BIS voted for this shareholder resolution because the information would be useful for shareholders and the resolution is not overly constraining on management.

The shareholder resolution requested that the company, "on every production unit both nationally and internationally, report key information on both climate risk and nature risk, including climate gas emissions, measures to reduce pressure on nature and biodiversity in and around the area of construction, as well as the total impact on ecological values in the ecosystem where production is taking place."¹⁴

As part of our "climate and natural capital" [engagement priority for 2021](#), we seek to understand how companies are mitigating climate-related risks and implementing plans to transition to a low-carbon economy,

¹¹ Equinor, "[Shareholder proposals and board response to Equinor's AGM 2021](#)".

¹² Support is also consistent with our [request](#) that companies align to a scenario in which global warming is limited to well below 2° C and is consistent with a global aspiration to reach net zero GHG emissions by 2050.¹² We discuss in our commentary, "[Climate risk and the transition to a low carbon economy](#)," that investors and other stakeholders will look at companies' disclosures to analyze how climate risk is integrated into their long-term strategies and evaluate their preparedness for a transition to a low-carbon economy. This is in accordance with our [updated approach to shareholder proposals](#), where we may support one that addresses material business risks, even if management is on track, but we believe that voting in favor might accelerate their progress and that the shareholder proposal is reasonable and not unduly constraining to management.

¹³ Equinor, "[Shareholder proposals and board response to Equinor's AGM 2021](#)".

¹⁴ See previous footnote.

while also considering their impact and dependence on natural capital. For companies whose business models have material dependencies or impacts on natural capital, BIS believes that the management of these factors can be a defining feature in their ability to generate long-term, sustainable value for shareholders, as discussed in our commentary, "[Our approach to engagement on natural capital.](#)"

We supported this shareholder resolution because the information could be useful for shareholders and investors, and the company currently does not publish such a report. On our assessment, the shareholder resolution is reasonable and not unduly constraining to management.

Items 10-15, 17: Climate-related shareholder resolutions

BIS voted against these shareholder resolutions based on our assessment that they are overly prescriptive in nature and intrude into the basic decision-making of management.

The majority of the shareholder resolutions addressed a range of climate-related issues, including the immediate cessation of all exploration activity and test drilling for fossil fuels (Item 10) and oil and gas exploration in the Norwegian Sector of the Barents Sea (Item 12) to spin-off the company's renewable energy business (Item 13), multiply green investments (Item 15), and include nuclear in the company's portfolio (Item 17), among others.

BIS voted against these resolutions as, on our assessment, each is overly prescriptive and strays into micromanagement of business decisions that we do not believe to be the domain or responsibility of shareholders. We also believe that in some cases such as Item 14, the resolution's rationale is unclear, while Item 15 would undermine the company's leadership in determining the best course of action.

Item 16: Instruct Board to Act to Avoid Big Losses Overseas, Receive Specific Answers with Regards to Safety Incidents and get the Audits Evaluation of Improved Quality Assurance and Internal Control (ABSTAIN)

BIS abstained from this shareholder resolution.

The shareholder resolution requested that the Board explain the "direct concrete actions to avoid big losses overseas and obtain better capital discipline and bigger sustainable net operating income for the total operations. At the same time, we would like to get a specific answer as regards to the other indicated negative technical operating conditions in the company. We also want to get the audit's evaluation of improved quality assurance and internal control in Equinor."¹⁵

We believe that the resolution addresses relevant questions that we would not want to dismiss about Equinor's track record on health and safety and capital allocation decisions, notably in U.S. onshore production. The Board itself emphasized the importance of the issues raised in the resolution. We also welcome CEO Anders Opedal's commitment to make safety his number one priority. However, we could not vote in favor because the resolution is overly prescriptive and attempts to micromanage the company through directing capital allocation decisions regarding assets overseas.

BIS voted in favor of all management resolutions at the 2021 AGM.

BlackRock Fundamental Active Equity (FAE) Vote Rationale

BIS is strategically positioned as an investment function and interfaces with BlackRock's various portfolio management groups, including the fundamental active equity (FAE) team. BIS confers with, and engages alongside, FAE portfolio managers where an issue is closely related to long-term shareholder value, e.g. deciding how to vote on a material financial transaction. To enable FAE portfolio managers to execute votes in a manner consistent with their view of what is in the best interests of the clients invested in their funds, they have

¹⁵ See previous footnote.

full discretion to vote the shares in the funds they manage based on their own analysis of the economic impact of a particular ballot item.

F&A has confidence in Equinor’s industry leadership in terms of target setting to reach net zero emissions¹⁶ in line with the goals of the Paris Agreement, and also acknowledges that the company will propose a non-binding vote on its climate strategy at the 2022 AGM and every three years thereafter, offering scope for shareholders to voice concerns. F&A also notes that as the majority shareholder, the Norwegian government was amongst the first parliaments globally to discuss climate neutrality,¹⁷ with lawmakers agreeing to aim for 2050 net zero domestically and 2030 with international offsets. Furthermore, Norway continues to lead the energy transition with more assertive goals being announced recently.¹⁸ In summary, F&A believe that Equinor’s strategy is firmly on the path towards net zero. As a result, F&A voted the shares held in its portfolios against Items 8. F&A also voted against Item 9 based on the conclusion that since the data requested is already freely available that reporting this asset level data would provide limited value.

F&A was aligned with the views of BIS on the remaining items under consideration.

¹⁶ Equinor, “[Equinor Sets Ambition To Reach Net-Zero Emissions by 2050](#)”.

¹⁷ Norwegian Government “[New Measures To Achieve Norway’s Ambitious Climate Goals](#)”.

¹⁸ Norwegian Government, “[Norway Steps Up 2030 Climate Goal To At Least 50% Towards 55%](#)”.

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.

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