Investment Stewardship Group

Voting Bulletin: Equinor ASA

As part of our fiduciary duty, BlackRock's Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our engagement priorities based on our observation of market developments and emerging governance themes, and evolve them year over year as necessary. The BIS team's key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	**Equinor ASA**
Market	Norway
Meeting Date	14th May 2020
Key Resolutions	**Item 9:** Instruct Company to Set and Publish Targets Aligned with the Goal of the Paris Climate Agreement to Limit Global Warming **Item 10:** Instruct Company to Stop all Exploration Activity and Test Drilling for Fossil Energy resources **Item 11:** Instruct Company to Consider the Health Effects of Global Warming due to Fossil Energy in the Company's Further Strategy **Item 12:** Instruct Company to Refrain from Oil and Gas Exploration and Production Activities in Certain Areas **Item 13:** Instruct Company to Stop All Oil and Gas Activities Outside the Norwegian Continental Shelf

	Item 14: Instruct Board to Present New Direction for the Company Including Phasing Out of All Exploration Activities Within Two Years
Board Recommendation	**Item 9:** AGAINST **Item 10:** AGAINST **Item 11:** AGAINST **Item 12:** AGAINST **Item 13:** AGAINST **Item 14:** AGAINST
BlackRock Vote	We voted AGAINST all shareholder resolutions. Upon analysis of company's disclosures and commitments, we do not believe that supporting the binding shareholder resolutions would be in the interest of our clients.

We believe that as companies face material climate risks, they must demonstrate that management have assessed how climate may impact operations and determined an appropriate business strategy. As we describe in our commentaries on our Approach to Engagement on Climate Risk and Emissions, Engagement, and Transition to a Low-Carbon Economy, we expect robust disclosures of climate-related risks and opportunities in line with the recommendations of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Greater transparency will contribute to improved market-level data, better engagements with shareholders, and more informed voting decisions aligned with long-term value creation.

Overview

Equinor ASA ("Equinor") is an energy company engaged in oil and gas exploration and production activities. Founded in 1972 under the name Den Norske Stats Oljeselskap AS—Statoil (the Norwegian State Oil company), the company changed its name to Equinor in 2018; the Government of Norway controls 67% of the company.[1]

As a fiduciary on behalf of our clients, BIS has engaged with Equinor over the past several years on a range of governance and material sustainability topics, including climate-related disclosures. As part of our engagement and voting process, we reviewed relevant company disclosures ahead of this year's annual general meeting (AGM). On balance, we believe that the quality of these disclosures is adequate and consistent with our expectation of large carbon emitters with a previous history of engagement with BIS on the topic.

We note that independent of our own engagements with the company, in April 2019, Equinor released a joint statement prepared with investors participating in Climate Action 100+,[2] where the company announced the new steps to demonstrate further industry leadership on climate change and strong support for the goals of the Paris Agreement. The joint statement acknowledges that the company will take steps in each of the following areas:

- Stress testing of the portfolio and new material capital expenditures
- Climate-related ambitions, targets and key performance indicators(KPIs)
- Targets linked to remuneration
- Measures to drive decarbonization
- Climate policy engagement and transparency

In the statement, the institutional investors recognized that, "Equinor has demonstrated leadership on climate change in a number of important areas. Its corporate strategy and recent name change provide clear signals of

[1] https://www.equinor.com/en/about-us.html#equinor-in-brief

[2] https://www.equinor.com/en/news/2019-04-24-climate-action-100plus.html

its intent to develop as a broad energy company and shift towards a greater proportion of low-carbon assets. Equinor has invested in renewables and low-carbon energy technologies, has made positive progress in its approach to emission and resource management and has played an important role in promoting implementation of the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). We acknowledge the efforts made by Equinor to date to embed climate change into its strategy, risk assessments, investment decisions, operating decisions and disclosures."

Equinor has published a Sustainability Report which includes an explicit TCFD-aligned cross-reference table[3] and an extensive discussion on portfolio resilience under different energy transition scenario.

Rationale for BlackRock vote on the shareholder resolutions

The shareholders proposals address a range of climate related issues from the setting of more ambitious climate targets to the immediate cessation of certain activities. The shareholder proposal number 9 asks, *"Shareholders support Equinor to set and publish targets that are aligned with the goal of the Paris Climate Agreement to limit global warming to well below 2°C above pre-industrial levels."* The supporting statement of this resolution argues that if Equinor's ambition is to reduce their net carbon intensity by at least 50% by 2050, halving the carbon intensity in a growing energy system will not lead to a level of absolute emissions reduction necessary to achieve the goal of the Paris Climate Agreement. The proponent asks for more "inspirational" targets and suggest the range of 80-100% reduction by 2050 (CO2 per unit of energy).

We believe that Equinor has made significant progress in terms of transparency relating to portfolio resilience and has some of the most ambitions climate targets in the industry on all relevant scopes.

Moreover, Equinor has recently announced a range of new climate ambitions in its Climate Roadmap,[4] including:

- Aiming to reach carbon neutral global operations by 2030 for its scope 1 and 2 greenhouse gas (GHG) emissions.
- Reducing the net carbon intensity, from initial production to final consumption, of energy produced by at least 50% by 2050 covering scope 3 GHG emissions.
- Growing renewable energy capacity tenfold by 2026, developing as a global offshore wind major.

We understand that the current targets will be kept under review and do not see the relative lack of details on the 2050 targets as a cause for concern in the near term, although we will be monitoring closely for this detail to be set out as soon as practicable.

Given the company's progress towards aligning its reporting with the TCFD recommendations and its goals relating to portfolio resilience and efforts to substantially reduce its scope 1, 2, and 3 GHG emissions, we do not believe that forcing management to set even more ambitious ("aspirational") targets by means of a legally binding shareholder resolution would be appropriate.

Similarly, we believe that resolutions 10 to 14 lack a sufficient rationale in view of Equinor's existing climate risk commitments. We consider that these proposals stray into micromanagement and are not in the best interest of shareholders. They are binding and prescriptive and seek the immediate cessation of existing business activities, decisions which we not believe to be the responsibility of shareholders to take.

Moreover, even under the most ambitious energy transition scenarios, fossil fuels are likely to play a significant role in the global economy for the decades ahead. Therefore, we believe Equinor's phased approach is a measured and reasonable way to address the issues highlighted.

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[3] See p. 60 of Equinor's 2019 Sustainability Report, available at https://www.equinor.com/en/how-and-why/sustainability/sustainability-reports.html

[4] https://www.equinor.com/en/how-and-why/climate.html

Finally, resolution 13 specifically asks the Norwegian State to reduce its risks relating to ownership in Equinor by divesting its stake as soon as possible. We do not believe that the AGM is an appropriate mechanism to opine on a decision that rests with the Norwegian State.

For these reasons, these resolutions did not satisfy BIS' requirements for its support. BIS voted in favour of all management proposals.

We will continue to engage with the company on its governance practices and reporting on material factors that may impact long-term shareholder value.