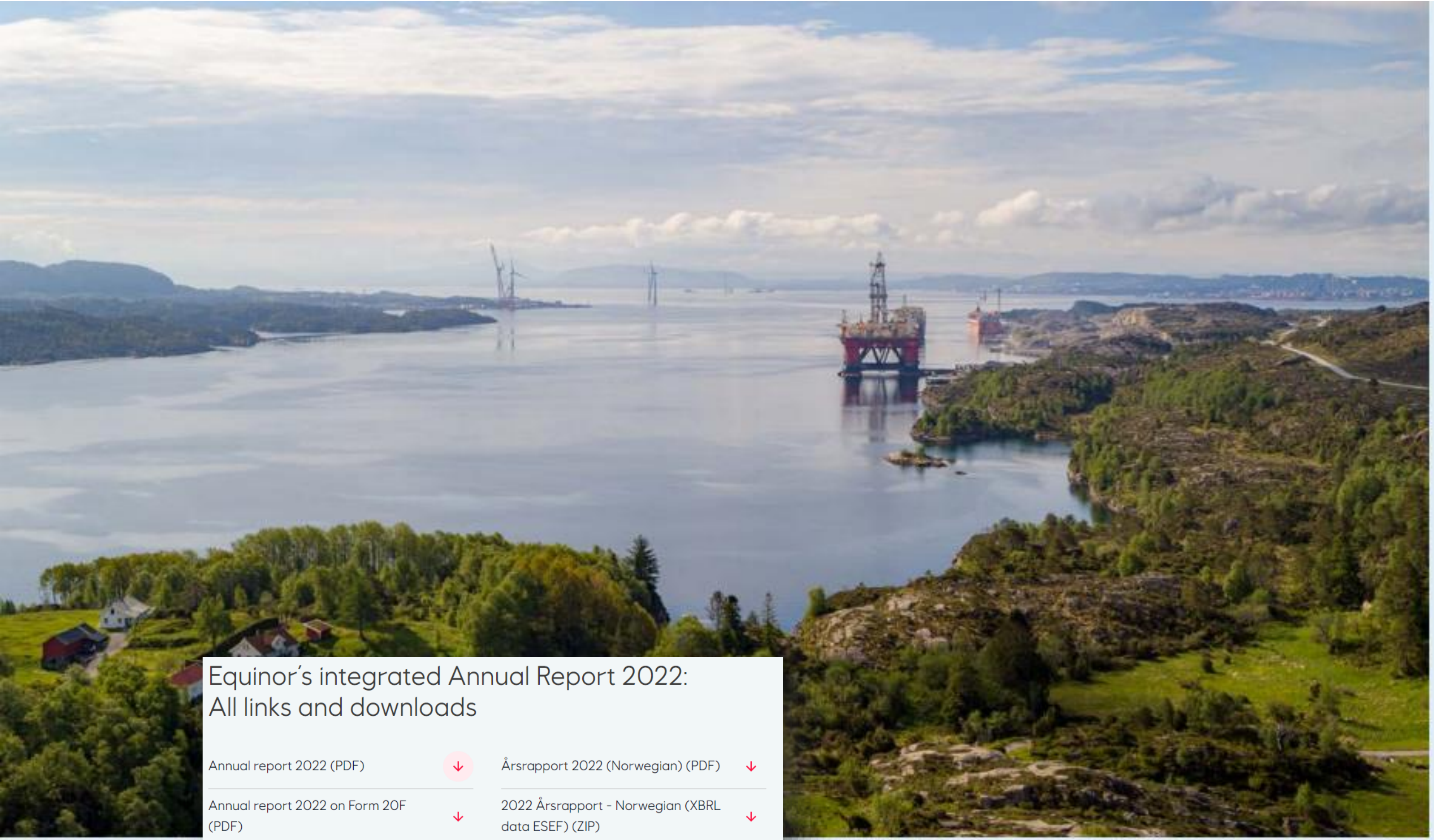
Responding to new ESG reporting requirements – from a preparer perspective

ORS Kristiansand Symposium 2023

Morten Haukaas and Titus Fossgard-Moser

June 6, 2023



Equinor's integrated Annual Report 2022: All links and downloads

Annual report 2022 (PDF)	Årsrapport 2022 (Norwegian) (PDF)
Annual report 2022 on Form 20F (PDF)	2022 Årsrapport - Norwegian (XBRL data ESEF) (ZIP)
2022 Annual Report on Form 20-F (XBRL data SEC) (ZIP)	2022 Betalinger til myndigheter (PDF)
2022 Payments to governments (PDF)	2022 Payments to governments (XLSX)
2022 GRI and WEF index (PDF)	2022 Human rights statement (PDF)
2022 Oil and gas reserves report (PDF)	2022 Executive remuneration report (PDF)
2022 Rapport om godtgjørelse til ledende personer (PDF)	2022 Energy transition plan progress report (PDF)
2022 Energiomstillingsplan framdriftsrapport (PDF)	ESG reporting centre

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2022 Integrated Annual Report

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ClientEarth

Equinor's sustainability advertising is misleading you...

Here's the evidence.

The problems with Equinor's energy transition plan

WWF

The Equinor energy transition plan lacks a lot of the information needed to assess how the company plans to meet its carbon intensity targets. In the latest annual report, Equinor outlines plans to keep the same production levels in 2030 as in 2022, which means no reduction in scope 3 emissions. It seems thus that Equinor plans to meet its 20% reduction target by other means, like increasing renewable production or purchasing offsets in carbon sinks. This is not in line with the requirements from SBTi guidelines which calls for emissions to be cut from the company value chain before purchasing offsets. The access to natural carbon sinks is limited and is already accounted for in the IPCC climate scenarios as an existing part of climate offsets. It is thus a dangerous trend if oil and gas companies purchase these offsets as a mean to justify further oil and gas expansion.

In addition, Equinor's carbon intensity target excludes scope 3 emissions from energy used to produce plastics and non-energy products. Most plastics will at some point be either burned, thus emitting CO_2, end up in landfills and cause methane and other GHG emissions or, even worse, end up in nature. To solve these problems, the global community must reduce its plastic consumption drastically. Oil and gas companies like Equinor should acknowledge the negative environmental effects of plastic production and pollution instead of viewing it as a solution to meet its own climate targets.

A final issue with Equinor's carbon intensity target is that it doesn't include emissions from sold oil and gas products, only the emissions from the company's own operations. ACCR finds in their report *Global Climate Insights* that Equinor discloses only 45% of the emissions from the implied emissions from oil and gas products sold.

"I am also calling on CEOs of all oil and gas companies to be part of the solution. They should present credible, comprehensive and detailed transition plans in line with the recommendations of my High-Level Expert Group on net-zero pledges. These plans must clearly detail actual emission cuts for 2025 and 2030, and efforts to change business models to phase out fossil fuels and scale up renewable energy."
UN Secretary General António Guterres, March 2023

	2030	2035	2050
Net carbon intensity	20% reduction 54 gCO2e/MJ	40% reduction 41 gCO2/MJ	100% reduction 0 gCO2/MJ
Scope 1 and 2	50% reduction (90% from absolute emission cuts)	?	(assume)100% reduction
Scope 3	0% change from 2022	?	?
Carbon sinks	?	?	?
CCS	5-10 mtpa CO2 transport and storage capacity by 2030	15-30 mtpa CO2 transport and storage capacity by 2030	?
Oil and gas production	Same production level as in 2022	?	?
Electricity production	12-16 GW installed capacity, 35-60 TWh	?	?
Hydrogen production	?	10% of the European market share ?	?
Biofuels	?	?	?
Overall energy production	?	?	?

Table by WWF-Norway based on information from Equinor reports

8

18.05.2023

Corporates hit by wave of new sustainability reporting rules: 'It is a leap'

Senior figures at PwC told an industry conference corporates are rushing to adapt to a range of incoming sustainability reporting standards

By Christopher Marchant

24.04.2023

Proxy gloves are off: Why Sarasin is going head to head with Equinor over net zero

Sarasin plans to vote against Equinor's financial statements and other resolutions at their upcoming AGM. The City investor's head of stewardship explains why

...ndell-Mills welcomed improved disclosures describing how decarbonisation and ...quinor's own climate commitments are accounted for in its 2022 financial statements.

However, like last year, management and the auditor have concluded there is no reason to change any forward-looking assumptions; there are consequently no write-downs linked to climate change.

BECAUSE IT MAKES BUSINESS SENSE

New requirements and expectations impacts what and how we report

Climate Action 100+

DISCLOSURE FRAMEWORK | ALIGNMENT ASSESSMENTS

The disclosure framework evaluates the adequacy of corporate disclosure in relation to key actions companies can take to align their businesses with the Climate Action 100+ and Paris Agreement goals. **The framework reflects publicly disclosed information as of 13th May 2022 and is assessed by the Transition Pathway Initiative.** Download the disclosure framework methodology to learn more.

1. Net zero GHG Emissions by 2050 (or sooner) ambition
2. Long-term (2036-2050) GHG reduction target(s)
3. Medium-term (2026 to 2035) GHG reduction target(s)
4. Short-term (up to 2025) GHG reduction target(s)
5. Decarbonisation Strategy (Target Delivery)
6. Capital Alignment
7. Climate Policy Engagement
8. Climate Governance
9. Just Transition [Beta]
10. TCFD Disclosure

November 2020

Effects of climate-r... financial statemen...

This document is intended to support th...

IFRS Sustainability

May 2023

Exposure Draft

IFRS® Sustainability Disclosure Standard

Methodology for Enhancing the International Applicability of the SASB® Standards and SASB Standards Taxonomy Updates

Comments to be received by 9 August 2023

SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors

FOR IMMEDIATE RELEASE

2022-46

Et grønnere og mer aktivt statlig eierskap

Pressemelding | Dato: 21.10.2022

Read in English

Staten eier over 70 selskaper i Norge. Nå legger regjeringen fram en ny eierskapsmelding som blant annet skal bidra til raskere grønn omstilling. Den nye meldingen skrur på både prinsippene, statens mål som eier, kategoriene, ...lsene og forventningene til selskapene staten er

NOU Norges offentlige utredninger 2023: 15

Bærekraftsrapportering

Gjennomføring av direktivet om bærekraftsrapportering (CSRD)

CSRD and ESRS

European Union

Level 1 – Corporate Sustainability Reporting Directive (CSRD)

- On 10 November with 525 votes in favor, 60 against and 28 abstentions, the European Parliament approved the CSRD.
- On 28 November, the European Commission (EC) gave final approval to the CSRD.
- On 16 December, the final text of the CSRD was published in the EU official journal.

Level 2 – European Sustainability R...

Cross-cutting | Topical sector-agnostic

Source: EFRAG

- On 22 November, the European Financial Reporting Advisory Group (EFRAG) submitted the first set of draft ESRS to the EC in its role as technical adviser to the EC.
- The 12 ESRS are: two cross-cutting standards and ten topical sector-agnostic on environmental (5x), social (4x) and governance (1x) (ESG).
- The ESRS consist of 339 pages, 82 disclosure requirements and 1.144 datapoints.
- The EC needs to adopt the first set of draft ESRS by delegated acts until June 2023.

FINANSTILSYNET

Forside > Nyhetsarkiv > Informasjon om klimarelaterte forhold i årsrapportane

Informasjon om klimarelaterte forhold i årsrapportane

Nyhet

Publisert: 15. desember 2022

Finanstilsynet har gjennomført tematilsyn med utvalde noterte føretak sin rapportering av klimarelaterte forhold i årsrapporten for 2021 og revisoren sitt arbeid knytt til dette. Sjølv om det er skilnader mellom føretaka, meiner Finanstilsynet at rapporteringa gjennomgåande er mangelfull og ofte for generell i forhold til kva ein bør forvente.

Approach for 2022

Journey towards CSRD/ESRS compliance

2022 – First step:
Integrated Annual Report

Framework: GRI, TCFD

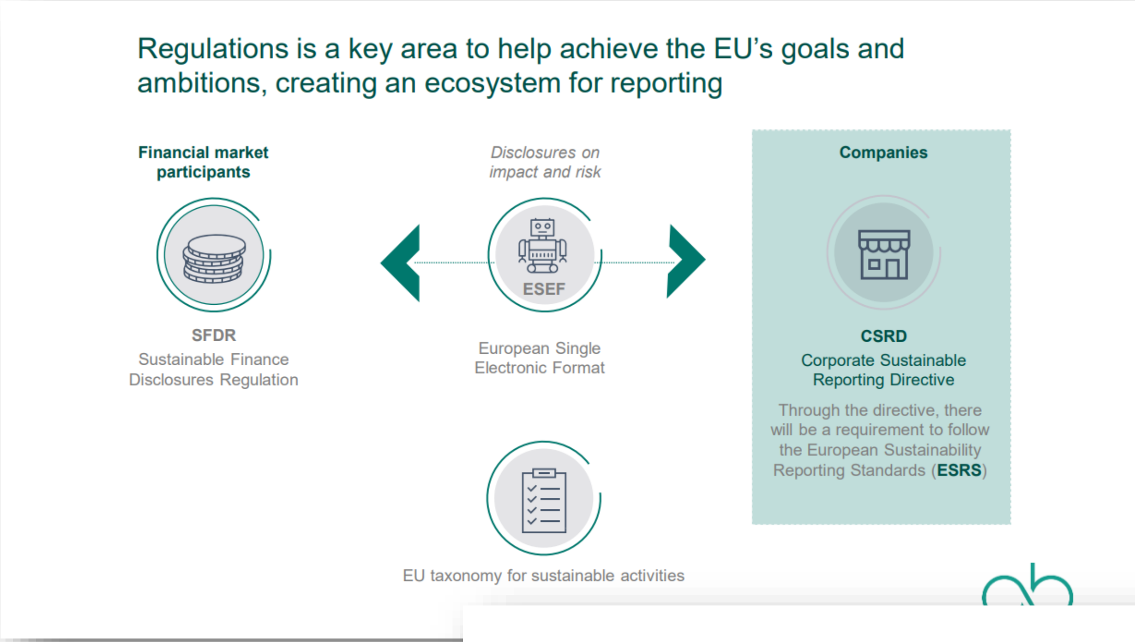
First move towards CSRD/ESRS alignment

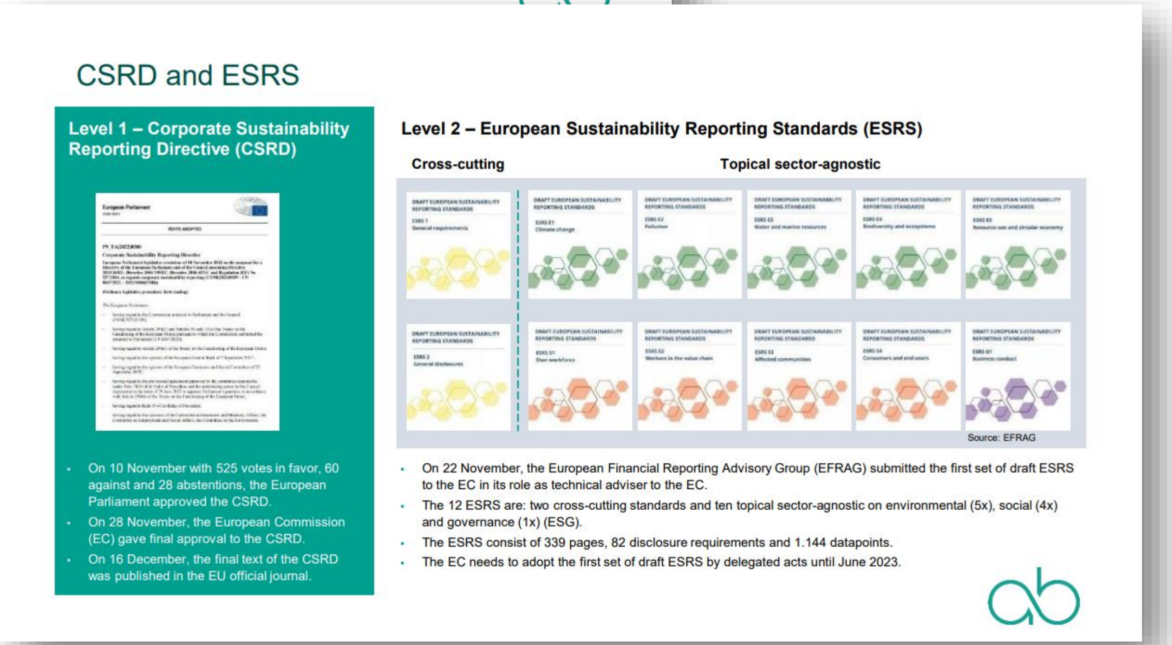
2023 – Second step:
Framework: GRI, TCFD

Further alignment towards CSRD/ESRS requirements

2024 – Third step:
Compliant reporting

CSRD/ESRS





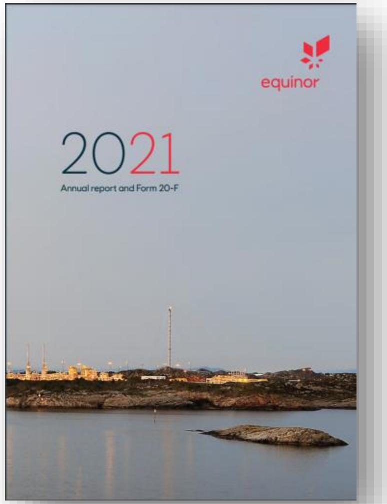
Ambitions for 2022

A more strategic, concise and integrated report

- Changes to reporting products
- More strategic and integrated reporting framework
- Double materiality assessment informs content selection
- Shorter and more visually appealing report
- Maintained sustainability focus

Changes to reporting products

2021



2022

2022
Annual Report
on Form 20-F

Human Rights Statement / UK Modern Slavery Act

Report on payments to governments

Remune-ration policy and report

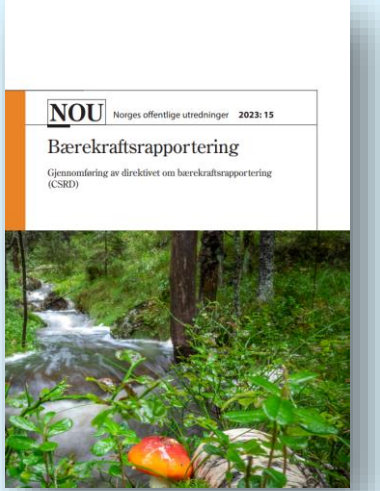
Proved oil and gas reserves

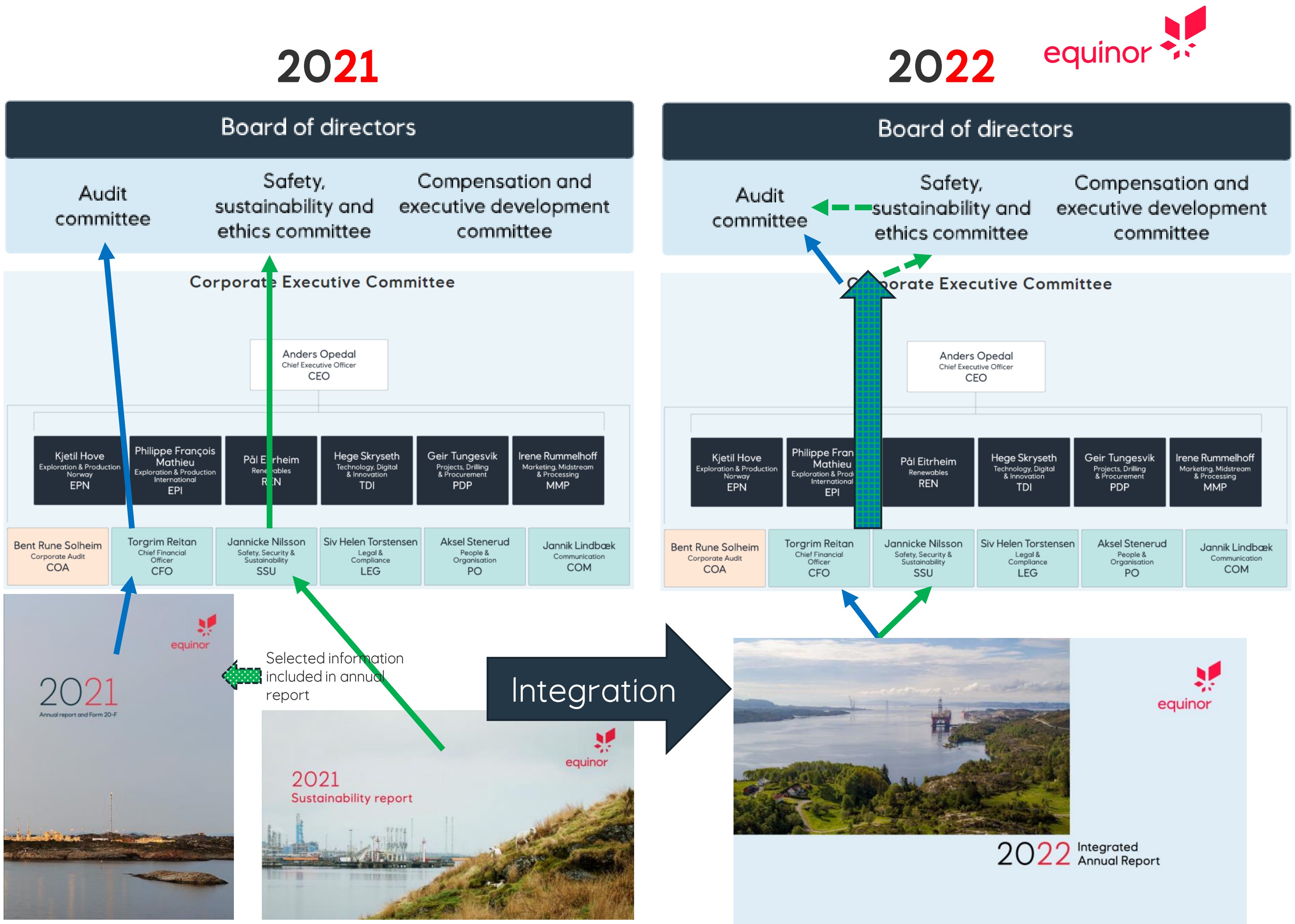
Goverance

Change in how we work and report

From silos to integration through collaboration

One integrated project team





CFO AFC Project team

SSU CSU Project team

Integrated Project team (AFC, CSU ++)

Integrated reporting framework and structure

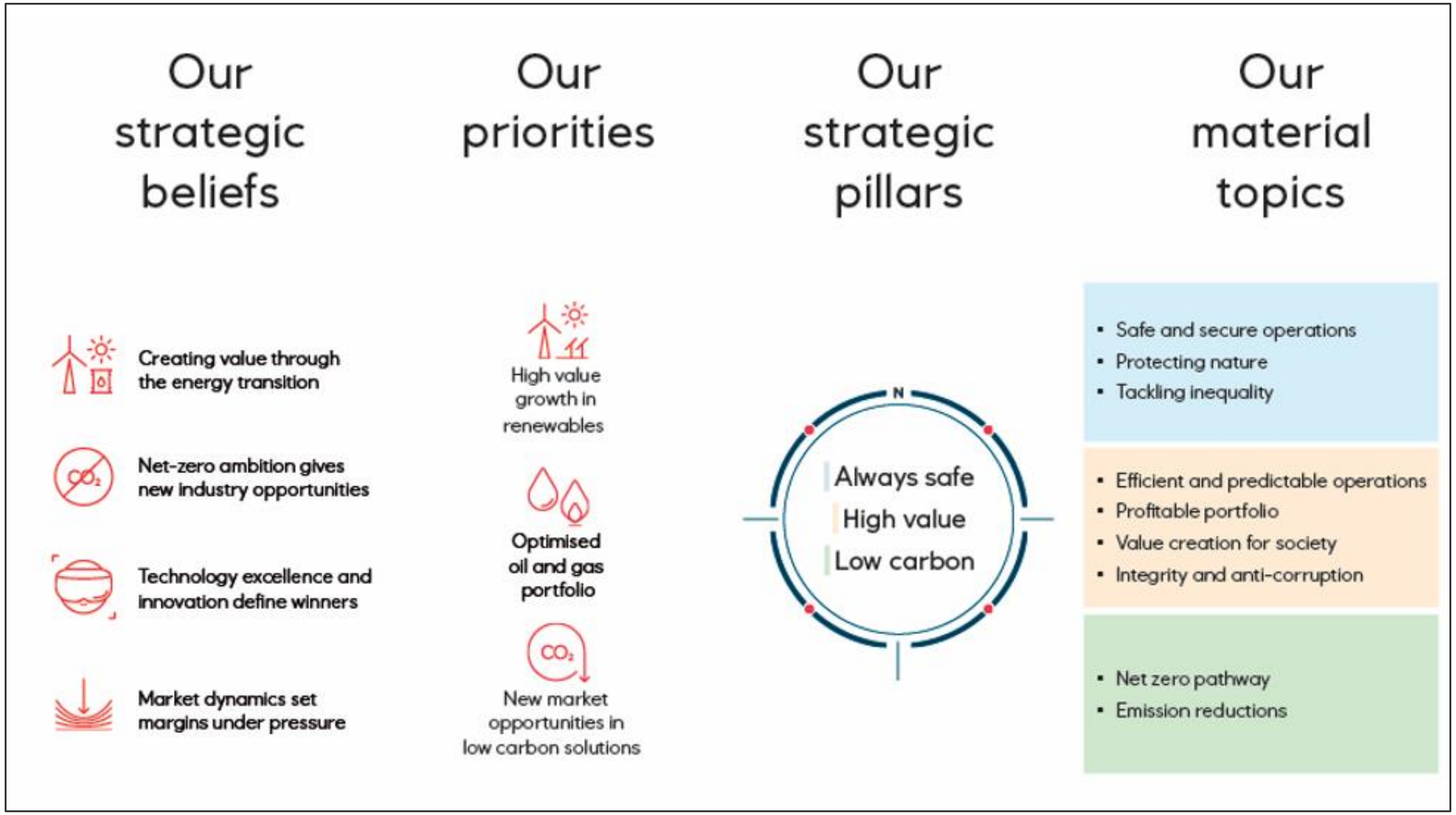
Chapter 1
- Intro to Equinor and strategy
- Financial highlights
- Energy Transition Plan progress report
- Intro to material topics
- Risks and governance

Chapter 2
- Group level approach and performance – per material topic

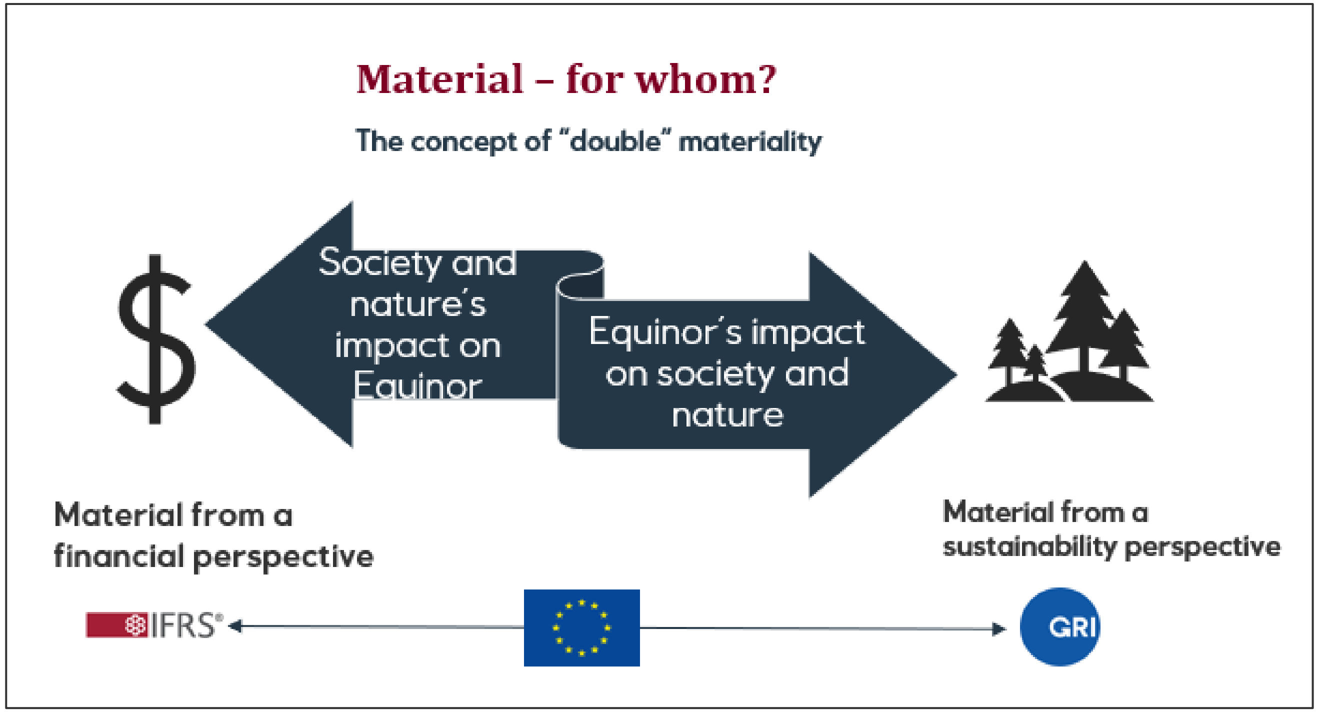
Chapter 3
- Segment reporting

Chapter 4
- Financial statements

Chapter 5
- Corporate Governance Statement (NUES)
- Supplements
- EU taxonomy



Content selection based on double materiality assessment



For each material topic:

CONTEXTUAL INTRODUCTION
- Description
- Why is it material (risk & opportunities)

MANAGEMENT APPROACH
- Key targets
- Governance (inc. BoD level/committee involvement), policies, risk management
- Key initiatives and activities in 2022

PERFORMANCE DISCLOSURE
- Key data
- Commentary –balanced

PERFORMANCE COMMENTARY
- Commentary (backwards) and reflections (forward) on performance; positive and negative
- Balanced - both positive and negative,

Physical Climate Risk reporting

Included in section 2.2 Profitable portfolio

The exposure of our assets to possible climate-related perils

Climate-related perils assessed and included in the exposure score:

Wind	Flood	Precipitation
Wind speed at six key return periods (10, 20, 50, 100, 200, and 500-year)	Water depth and nearby flooding at six key return periods Annual tidal inundation depth	Daily rainfall at six key return periods
Heat	**Wildfire**	**Convective Storm**
Days per year exceeding 35°C, 38°C Days per year exceeding historical 99th percentile Heating/cooling deg. days	Max monthly wildfire probability	Days per year with significant hail possible Days per year with high thunderstorm probability

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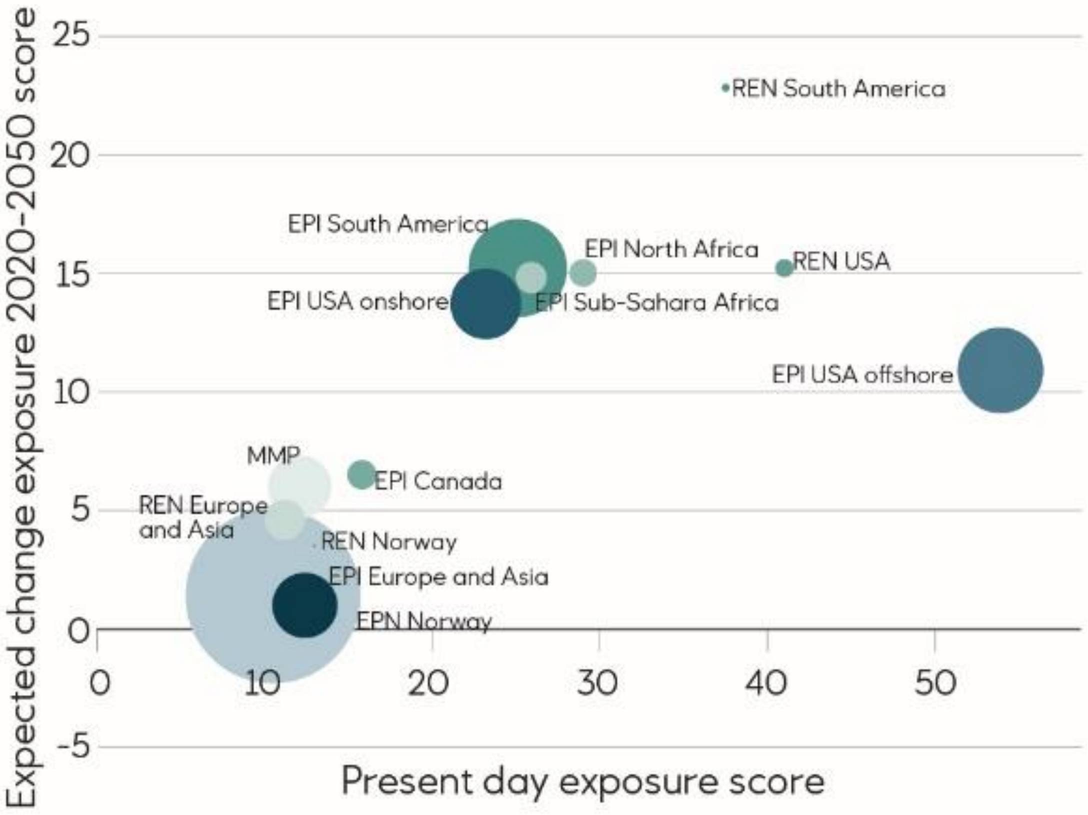
Portfolio exposure to physical climate risk perils according to the RCP 8.5* climate scenario



Circle size based on book value of assets within the area

*RCP8.5 is a high emission scenario representing a high emissions future without effective climate change mitigation policies.

Open

06 June 2023

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Material topics and 2022 performance

ALWAYS SAFE

KPI/MONITORING INDICATOR	2022 AMBITION (TARGET YEAR)	STATUS	PERFORMANCE 2022	PERFORMANCE 2021
SAFE AND SECURE OPERATIONS				
Serious Incident Frequency (SIF) (number per million hours worked)	≤0.4 (2022)		0.4	0.4
Total Recordable Injury Frequency (TRIF) (number per million hours worked)	≤2.2 (2022)		2.5	2.4
Completion of cyber security awareness training for employees - since commenced June 2021 (%)	95% (2022)		97.7	n/r
PROTECTING NATURE				
Assets and licences in and adjacent to protected areas (number of)	From 2023: New projects in protected areas or areas of high biodiversity value to establish a plan aiming to demonstrate net positive impact		35	19
Serious accidental spills (number of)	0 (2022)		0	0
TACKLING INEQUALITY				
Determine a suitable human rights indicator	Pilot a set of human rights indicators (2022)		Completed	
Inclusion index score (%)	I: ≥80 (2025)		77	77

HIGH VALUE

KPI/MONITORING INDICATOR	2022 AMBITION (TARGET YEAR)	STATUS	PERFORMANCE 2022	PERFORMANCE 2021
EFFICIENT AND PREDICTABLE OPERATIONS				
Equity production liquids and gas (mboe per day)	2022 outlook guiding ~2% above 2021[1,3]		Growth 0% (2039)	2079
Production cost equity volumes (USD/boe)	<5 USD/bbl (2021-2026)[1,2]		5.6[2]	5.4
PROFITABLE PORTFOLIO				
Return on Average Capital Employed* (ROACE) (%)	>14% yearly (2022-2030)[1,4]		55.2	22.7
Relative Total Shareholder Return (Relative TSR) (quartile)	Above average in ranking among peers[1]		6 of 12	2 of 12
Relative ROACE* (peer group rank)	First quartile in ranking among peers[1]		1 of 12	2 of 12
Organic Capex* (billion USD)	2022 outlook guiding USD 10[1]		8.3[5]	7.9
VALUE CREATION FOR SOCIETY				
Payments to goverments (billion USD)	Not applicable		49.2	11.8
Share of procurement spend locally (%)	Not applicable		88.7	91.4
INTEGRITY AND ANTI-CORRUPTION				
Confirmed corruption cases (number of)	0 (2022)		0	0
Employees who signed-off the Code of Conduct (%)	≥95% (2022)		95	84

LOW CARBON

KPI/MONITORING INDICATOR	2022 AMBITION (TARGET YEAR)	STATUS	PERFORMANCE 2022	PERFORMANCE 2021
NET ZERO PATHWAY				
Net carbon intensity (gCO_2e/MJ)	-20% (2019 -> 2030) -40% (2019 -> 2035)		66.5	67.1
Renewable energy installed capacity (GW, equity)	12-16 installed (2030)		0.6	0.5
Annual gross CAPEX* to renewables and low carbon solutions (%)	>30% (2025) >50% (2030)		14	11
EMISSIONS REDUCTIONS				
Absolute GHG emissions scope 1 and 2 (million tonnes CO_2e)	Net 50% emission reduction (2015 -> 2030)		11.4	12.1
Upstream CO_2 intensity, Scope 1 (kg CO_2/boe)	<8 kg/boe (2025) <6 kg/boe (2030)		6.9	7.0

Text in bold: Key performance indicator [1] Outlook and ambitions presented at CMU 2022 or in Annual report 2021 (forward looking updated in CMU). [2] USD 2021 real base. [3] Rebased for portfolio measures. [4] Based on 2022 CMU price scenario (65 USD/bbl).
[5] Adjusted to USD/NOK exchange rate assumption in the Outlook presented at CMU 2022.

Ambition met in 2022. Ambition not met in 2022. Plan in place, on track to reach longer-term ambition. Plan in place, not on track to reach longer-term ambition.

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STATUS 2022

Progress on the Energy Transition Plan

Emission reductions

Net scope 1 & 2 GHG emissions[1]

30%

50% by 2030

Upstream CO_2 intensity

6.9 kg CO_2/boe

IOGP average 16 kg

Methane intensity

0.02 %

OGCI average 0.2%

Gross capex to transition

Gross capex to renewables and low carbon solutions

14%

50% by 2030

Installed capacity

0.9 GW

CO_2 storage

0.5 Million tonnes

Progress towards net zero

Net carbon intensity reduction[2]

2%

66.5g CO_2e/Mj

20% by 2030

40% by 2035

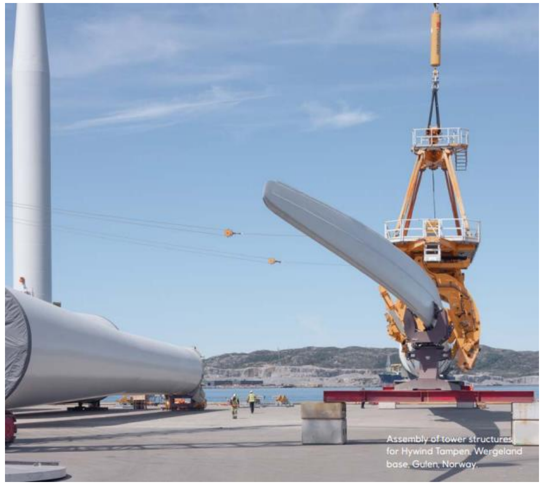
Net zero by 2050

[1] Baseline year 2015
[2] Baseline year 2019

Maintained sustainability focus

Consistent with 2021

- Material sustainability topics kept
- Alignment with GRI and WEF frameworks
- TCFD reference index, and portfolio stress test
- Reporting boundaries
- Reasonable assurance for key data; limited for other sustainability data

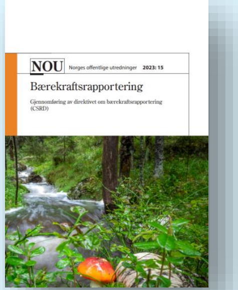


New in 2022

- Alignment with GRI Oil and Gas sector standard
- Annual Human Rights statement (Norwegian Transparency Act)
- Preparing for alignment with future reporting standards (e.g., ESRSs)
- Physical climate risk assessment included
- Progress report on ETP
- Data hub – new data points
  - GHG intensity of Norwegian LNG and piped gas
  - Expanded field specific GHG emission data

Reflections and next steps

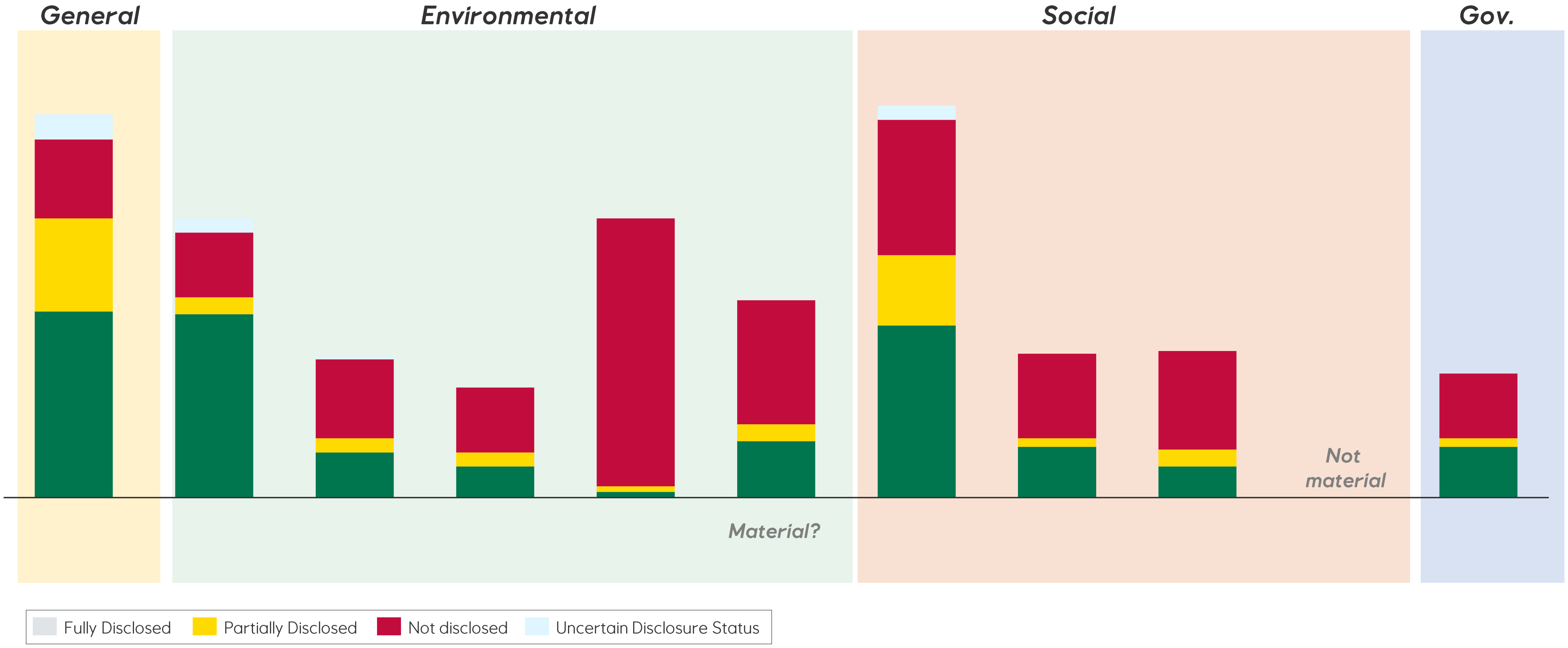
Do not wait until 2024 to start work on CSRD/ESRS implementation!



- Integrated reporting has driven closer collaboration and new 'conversations' between Equinor's Finance, Performance, Risk, Strategy, and Sustainability functions
- 2022 report provides a strong foundation for moving towards meeting CSRD requirements
- Several improvement areas for 2023 report
- Need 2023 reporting as next step / learning to get to CSRD compliance in 2024
- Value of networks and external specialists

ESRS Preliminary Gap Analysis

Around 30% of the draft ESRS disclosures are currently addressed by Equinor (existing reporting frameworks++), i.e. around 70% gaps. Half of the gaps can probably be solved by more ESRS-aligned wording



Challenges in the reporting transition

Internal control over ESG

Reporting frameworks

- What reporting frameworks apply
- Understand requirements
- Best practice / industry standards
- Additional voluntary disclosures

Data collection

- Availability and completeness of data
- Granularity of information required
- From sensitivity to scenarios
- Quality and auditability of information
- Consistency of data and information
- Impact on processes to create and retrieve data
- Digitalization of ESG data

Project management

- Project team set-up
- Stakeholder management (and buy-in)
- Structure and content of report
- Balance financial vs ESG information
- What to include in the audited FS vs BoD report
- European vs US listing requirements
- Material topic identification and related KPI´s and monitoring indicators
- New content / presentation

Q&A

2022 Integrated Annual Report

Thank you!

Responding to new ESG reporting requirements – from a preparer perspective

Morten Haukaas, Head of Group Financial Reporting, Equinor
Titus Fossgard-Moser, Head of Environment and External Reporting, Equinor