

# Proposals from shareholders and response from the board of directors

## Case 9 to Statoil ASAs annual general meeting 11 May 2017

### Proposal from a shareholder to abstain from exploration drilling in the Barents Sea

A shareholder has made the following proposal:

*"On 18 May 2016, the Government of Norway represented by the Ministry of Petroleum and Energy resolved to offer 13 companies ten production licences for petroleum. The production licences were awarded and ratified by Cabinet Order on 10 June 2016 ("The Licensing Decision"). Two of the licence blocks includes the Korpffjell prospect located in PL859 and the Gemini North in PL855.*

*On 18th October 2016 the validity of this Licensing Decision became subject to a legal challenge. On that day a writ was filed to the Oslo District Court against the decision of The Government of Norway represented by the Ministry of Petroleum and Energy. The Plaintiffs in the case are Greenpeace Norden and Natur og Ungdom.*

*The petroleum production Licensing Decision will have serious environmental repercussions. The harmful environmental impacts of the Licensing Decision are sufficiently serious to render their content incompatible with the restrictions on environmental encroachments established under Article 112 of the Norwegian Constitution. In any case, the critical issue of the importance of the individual's right to a healthy environment has not been considered, and the decision is alternatively invalid for this reason.*

*On February 14th all parties came to an agreement that the case will be heard between November 13th to November 24th 2017. This is a serious legal dispute, concerning critical issues that go to the fundamentals of the Norwegian constitution. While all parties wait for the outcome of the legal proceedings it would be reckless for any entity to commence oil exploration or extraction activity in the licences in question, namely PL859 and PL855. Statoil should therefore not proceed with any drilling operations in the licences in question until the validity of the licences has been decided in court."*

Proposal for resolution:

*"Statoil refrains from drilling exploration wells in PL859 (Korpffjell) and PL855 (Gemini North) whilst the question of whether the licenses granted in the 23rd licensing round are illegal and violate the Norwegian Constitution is still pending in the courts."*

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### The board's response to case 9 "Proposal from shareholder to abstain from exploration drilling in the Barents Sea" raised to Statoil ASA's annual general meeting 11 May 2017

Climate change represents one of the greatest challenges of our time. Statoil supports the ambitions of the Paris agreement and fully recognises the need for the oil and gas industry's contributions to limit global warming. Statoil's ambition is to remain one of the world's most carbon efficient oil and gas producers.

Production licenses 859 and 855 were awarded in accordance with current legislation, after a thorough impact assessment and with broad support following an ordinary democratic process in the Norwegian Parliament.

Petroleum activities have taken place in the Barents Sea since 1980, and both relevant authorities and the industry have extensive experience in managing operations in this part of the Norwegian continental shelf. The board of directors is of the opinion that the company has made the necessary preparations to ensure that the operations are carried out in the best possible manner, and that environmental risks are reduced to the lowest possible level. Comprehensive analysis, risk reduction measures and thorough contingency plans are important prerequisites for all Statoil's operations.

Based on the above, the board of directors recommends the annual general meeting to vote against the proposal.

## Case 10 to Statoil ASAs annual general meeting 11 May 2017



### Proposal from a shareholder regarding discontinuation of exploration activities and test drilling for fossil energy resources

A shareholder has made the following proposal:

*"I have participated at all Annual General Meetings over the past five years, and presented my proposals for shifting Statoil's business into a more sustainable and climate-friendly direction. All proposals have been rejected both by the board of directors and the Annual General Meeting. There is hope, however, and my efforts may not have been in vain. Through the new "Climate Roadmap 2030" the board has in practice responded positively to my proposal from 2016 to develop a strategy that reflects the company's joint responsibility for solving the current energy demand within the framework of national and international climate targets. And the board has finally also followed my advice to withdraw from involvement in polluting, unprofitable and lossmaking oil sand ventures in Canada and fracking in the US. I am very pleased to note that the board has finally made a sensible U-turn here, to the great satisfaction of the great majority of shareholders, our climate, and us in the Grandparents' Climate Cause. The board deserves credit for resetting the direction.*

*The new Climate Roadmap announces an increase in the company's investments in renewable energy and low-carbon solutions to 15-20 % by 2030, and an increase in the company's research investments in renewable energy and energy efficiency improvements to 25 % in the same period. The crucial question is whether this positive change of direction in the new Climate Roadmap for 2030 is sufficient to compensate for the negative climate effect of continued/increased focus on exploration and test drilling for new oil and gas sources on the NCS and globally.*

*According to the International Energy Agency, IEA, some 70 % of all proven reserves of fossil fuels need to remain in the ground in order not to exceed the Paris Agreement's goal of keeping the global temperature rise to maximum 1.5 to 2 degrees Celsius. This means that all exploration for new fossil sources will be wasted investments, as they cannot be put on stream. I want to state for the record that the board has not taken the seriousness of the climate challenges sufficiently seriously, but continues the exploration on the NCS, perhaps close to the Arctic ice edge. This is now in fact retreating northwards, exactly as a result of carbon emissions from Statoil and other fossil energy companies' activities."*

Proposal for resolution:

*"The board presents a strategy for, and environmental impact assessment of, full discontinuation of all new exploration activities and test drilling for fossil energy resources. The saved investment funds are presupposed to be earmarked for investments in renewable energy and energy efficiency measures for existing and sanctioned facilities. The strategy, including environmental impact assessment, will be presented in the annual report for 2017/18."*

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### The board's response to case 10 "Proposal from shareholder regarding discontinuation of exploration activities and test drilling for fossil energy resources" raised to Statoil ASA's annual general meeting 11 May 2017



Statoil's object is defined in the company's articles of association article 1, which reads that the company's "object (...) is to engage in the exploration, production, transportation, refining and marketing of petroleum and petroleum-derived products, and other forms of energy".

Climate change represents one of the greatest challenges of our time. Statoil was an active supporter of the work towards an extensive and ambitious climate agreement with COP21 in Paris in 2015. The company has as an integrated part of the company's strategy work throughout 2016 worked to establish a roadmap with a holistic approach to the climate issue. Statoil's climate roadmap presents clear reduction targets for own climate emissions and growth within the area of new energy solutions and renewables.

Changing the world's energy system in order to meet the growing global energy demand in a more sustainable way is a considerable challenge. Significant renewable energy investments are required. At the same time the most respected forecasters expect that also in a low-carbon society, there will be a substantial need for oil and gas in order to meet the global energy demand for several decades, including by gas replacing coal. Declining production from existing fields means that the world over time depend on new resources being brought to the market.

Statoil's ambition is to remain one of the world's most carbon efficient oil and gas producers. In parallel, the company will further develop a position within renewable energy. This will enable us to continue to create value for our shareholders in a sustainable way. Statoil is also involved in technology development and industrial cooperation both in Norway and internationally aimed at assisting to reduce both CO<sub>2</sub> and methane emissions.

Furthermore, the board stresses the importance of complying with the principles of good corporate governance, hence the company's strategy is to be determined by the board.

Based on the above, the board of directors recommends the annual general meeting to vote against the proposal.

## Case 11 to Statoil ASAs annual general meeting 11 May 2017

### Proposal from a shareholder regarding risk management processes

A shareholder has made the following proposal:

*"This shareholder resolution follows on the 2016 AGM item 18, "Proposal submitted by a shareholder regarding the establishment of a risk management investigation committee" which was supported by a vote of 18.89 Million Statoil shares.*

*Whereas, Statoil's internal risk management/assessment practices are vital to its corporate business operations, investment decisions, financial wellbeing, and legal status, the Board of Directors, in their risk management oversight functions, should direct Statoil Management to appoint a new Chief Geologist with a clear mandate to reinstate updated versions of pre-merger actuarial based risk management practices<sup>1</sup>, and thus replace existing corrupted post-merger practices which are prone to severe technical bias and manipulations<sup>2</sup>, and which have greatly damaged, and continue to seriously impair, shareholder value, as well as value creation<sup>3</sup>.*

*Risk Management irregularities which began with the pre-Statoil Norsk Hydro merger population of strategic employee positions during the summer of 2007, continue to damage the Company. Attempts to correct this situation via Statoil's ethics protocols from 2010 to 2016 have not succeeded in meaningful improvements for exploration, production and drilling operations. A report on the ethics complaint has been summarized and delivered to Arkadia Resources<sup>4</sup>. The report is being held as confidential, and the extent to which it has been communicated to the Board of Directors is unknown. The report summary implies that the risk management irregularities were conducted with the knowledge and approval of the Board, which must now assume responsibility as well as the legal liabilities for the damages to shareholder value. For the US Gulf of Mexico, these are estimated at 30 billion Norwegian kroner. This resolution is part of an ongoing effort to correct Statoil's internal risk management practices, in the interests of its shareholders and partners.*

*Should this resolution fail, the next steps would include any or all of the following:*

- 1. A call for a vote of no confidence in the Statoil Board of Directors.*
- 2. Filing of complaints with the US Securities and Exchange Commission and Department of Justice, as well as UK and Norwegian regulatory and law enforcement authorities, transferring documents and testimonies in support of allegations of wrongdoing, corruption, violations of laws and governing codes of conduct.*
- 3. Formal proceedings to challenge Management corruption of Statoil's risk management practices following the merger with Nork-Hydro.*
- 4. Investigations into irregularities in the Norsk-Hydro acquisition of Spinnaker high-risk assets in the US Gulf of Mexico for \$2.5 Billion dollars prior to the merger.*

*Note 1: Using statistical analysis of Statoil's internal data base of global drilling results and reservoir parameters, incorporating the concepts in Statoil Research and Technology Memoir No. 7, published in August 2005.*

*[https://www.researchgate.net/publication/284035557\\_Distribution\\_of\\_hydrocarbons\\_in\\_sedimentary\\_basins](https://www.researchgate.net/publication/284035557_Distribution_of_hydrocarbons_in_sedimentary_basins)*

*Note 2: Arkadia estimates the Statoil spends c. 50% of its exploration budget on prospects with less than a 10% probability of discovering commercial oil/gas volumes, seriously damaging its finding costs, safety and environmental performance relative to competitors. This can constitute corporate malpractice according to US and EU laws. As described in Statoil 2016 AGM item 18: Proposal regarding the establishment of a risk management investigation committee. "Whereas, Statoil's internal risk management/assessment practices are vital to its corporate business operations, investment decisions, financial wellbeing, and legal status, a committee should be established, consisting of 3 internal and 4 external representatives, to investigate post-merger irregularities in its corporate governance, including risk analysis. The committee will make recommendations to the Statoil Board of Directors on how best to rectify and update internal risk management practices." The background for the shareholder proposal and the response from the board of directors of Statoil is available at [www.statoil.com/agm](http://www.statoil.com/agm).*

*Note 3: Arkadia Resources as presented during Statoil 2016 AGM, video record 1:53 - 1:58*

*<https://www.youtube.com/watch?v=f6DFv5b5Gzw> NB: The formal Board response read by Statoil's Chairman at the meeting has been dubbed over and altered, containing false claims regarding Item 18. E.g. two of the three external and one of the internal investigation committee members accepted their nominations. The third external declined in part for health reasons. This alteration to the public video record is evidence of corruption and/or cover-up of wrongdoing at the highest levels of Statoil's corporate governance concerning risk management issues raised by Item 18. As a result, a new ethics complaint could be filed with the Statoil helpline."*

*Note 4: November 10, 2016 Statoil Ethics Helpline Report: F. Joseph Warin, FWarin@gibsondunn.com, Washington DC - "We write on behalf of Statoil ASA to report on the findings from our review of your Ethics Helpline complaint and related reports. After a thorough and wide-ranging investigation, we have concluded that your concerns of corporate misconduct*

are unfounded. Nevertheless, through the examination of your complaints, Statoil has identified process improvements for the handling of ethics cases that it is in the process of implementing into its best practices. Statoil encourages all interested parties to come forward in good faith with allegations of behavior inconsistent with its Code of Conduct. We thank you for your interest in making Statoil a stronger and more compliant organization. We wish to assure you that we have carefully reviewed each of the concerns raised in your 2 April 2016 Ethics Helpline complaint, related ethics complaints you submitted in 2010 and 2011 while a Statoil employee, a shareholder resolution filed by your investment partnership in 2016, a draft complaint provided to Statoil Compliance in May 2016, and our meeting with you on 18 August 2016. Because Statoil has a strict policy of protecting the privacy of individuals who cooperate in internal investigations, we are unable to report to you our specific investigative findings beyond stating the final conclusion that we ultimately determined your concerns were unfounded. Nevertheless, our goal in this communication is to provide you with information concerning our robust investigative processes sufficient to give you confidence concerning the findings of our investigation. On 23 May 2016, Statoil's Chief Compliance Officer and Manager of Legal Business Ethics and Compliance met with you to discuss your April 2016 Ethics Helpline complaint. Shortly after that meeting, Statoil determined to undertake an independent, external review of your concerns as well as the company's handling of the internal investigation of related concerns that you raised in 2010 and 2011. Statoil retained Gibson, Dunn & Crutcher LLP to assist. We then constituted a robust six-person investigation team comprised of three external and three internal representatives, including three lawyers, two professional investigators, and a technical expert, who between them have over 100 years of relevant experience. On 17 June 2016, we notified you of the investigation, requested a meeting with you, and asked that you share all relevant documents in advance of that meeting. Over the next several weeks, you provided us with over 150 documents pertinent to your claims. Immediately after receipt, we carefully analyzed those and other documents and conducted several preliminary scoping interviews of Statoil personnel to ensure that we fully understood your concerns and what previously had been done to investigate them, all before meeting with you. On 18 August 2016, my colleagues and I met with you in Brookline, Massachusetts for approximately four-and-one-half hours. We discussed a wide range of topics associated with your specific concerns, as well as your experience with Statoil more generally. Following our meeting with you, the investigation team traveled to Statoil's offices in Bergen, Oslo, and Stavanger to interview numerous employees believed to have relevant information concerning your claims. These interviews were conducted in-person or by videoconference in accordance with best practices for making credibility determinations. Relevant documents were collected from numerous of these employees. Following these interviews, the investigation team embarked on yet another round of interviews to capture individuals whose relevance to your claims became apparent during the earlier rounds of interviews and document review. In total, we interviewed 26 individuals in three countries and reviewed hundreds of documents comprising thousands of pages. This includes the four-and-one-half hour discussion with you and the careful review of more than 150 documents that you provided to us. It is only after this extensive review that we conclude that your allegations are unfounded. In closing, I wish to make very clear to you that Statoil has taken your concerns seriously and devoted substantial resources to conducting a thorough investigation by professionals wholly independent of the managers against whom your allegations are targeted. Although the investigation ultimately determined that your allegations are unfounded on the merits, we did identify process improvements based on this review that will be implemented into Statoil's best practices moving forward. Statoil appreciates that you have devoted substantial time and effort toward raising your concerns with appropriate company representatives. If you are interested, we would be pleased to meet with you to discuss this letter and answer questions that you may have concerning the investigative process. As we mentioned earlier, however, Statoil has a strict policy of protecting the privacy of individuals who cooperate in internal investigations and, as such, we may not be able to discuss many specifics concerning our findings beyond those communicated by this letter. Thank you again for raising your concerns through the Ethics Helpline and for bringing these issues to Statoil's attention. We wish you the very best in your future endeavors."

*Arkadia Response to the Report Summary:* Arkadia Resources investment partners are presently considering the findings as summarized in the attached letter. In our initial discussions, implications that continue to pose concerns include: That the Statoil Board of Directors, with full knowledge and consent, did facilitate the systematic dismantling of pre-merger Statoil exploration risk management practices based on global/regional/basin analysis of drilling results as well as reservoir statistics, and replace them with Norsk Hydro's method based on selective professional opinions in order to accommodate post-merger management and technical bias, even when those opinions and biases are clearly unsupported by actuarial data. That Statoil continues to carry unacceptable and unnecessary risks to shareholder values as a result of these practices, which in our opinion represents gross violations of sound corporate governance and good conduct. As a result, the Board assumes liability for damages incurred to post-merger shareholder value from irresponsible risk management/operational decisions. Tertiary recourse options are: 1. AGM shareholder proposal for a vote of no confidence in the Statoil Board of Directors, particularly with respect to risk management; 2. File complaints on behalf of the partners with the statutory/regulatory government organizations in Norway, the UK and the US. Given the Statoil Ethics Helpline report, our partners request that further details contained therein be made available to shareholders as to the scope of the investigation, as well as the evidence on which the conclusions are based, in order to frame appropriate actions, particularly whether or not to pursue options in item 4. The partners also wish to call attention to the following statement from the attached letter: "Although the investigation ultimately determined that your allegations are unfounded on the merits, we did identify process improvements based on this review that will be implemented into Statoil's best practices moving forward. Statoil appreciates that you have devoted substantial time and effort toward raising your concerns with appropriate company representatives." Arkadia's decisions will be guided by what specific improvements have in deed been made, mainly with respect to exploration/drilling risk management processes. P Nadeau met with J Warin, J Chelsey and J Rosenberg at Gibson Dunn offices on Wednesday February 22, 2017, in Washington DC, to discuss the investigation and its findings.

Proposal for resolution:

*"Whereas, Statoil's internal risk management/assessment practices are vital to its corporate business operations, investment decisions, financial wellbeing, and legal status, the board of directors, in their risk management oversight functions, should direct Statoil Management to appoint a new Chief Geologist with a clear mandate to reinstate updated versions of pre-merger actuarial based risk management processes, and thus replace existing corrupted post-merger practices which are prone to severe technical bias and manipulations, and which have greatly damaged, and continue to seriously impair, shareholder value, as well as value creation."*

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## **The board's response to case 11 "Proposal from shareholder regarding risk management processes" raised to Statoil ASA's annual general meeting 11 May 2017**

The board of directors takes allegations of mismanagement and wrongdoing seriously and ensures that such allegations are handled properly.

The current shareholder resolution follows a shareholder proposal that was submitted by the same shareholder to the Statoil 2016 annual meeting requesting the establishment of a risk management investigation committee to investigate alleged mismanagement and wrongdoings in Statoil's risk process. Such concerns were also submitted to the Statoil Ethics Helpline and the administration decided, in dialogue with the board of directors, to initiate an investigation by the recognised US law firm Gibson Dunn. Their investigation concluded, after extensive work and a number of interviews with relevant persons, that there was no merit to the allegations.

The board considers that the allegations raised in the current shareholder proposal do not warrant further follow-up. This is also supported by the thorough external review.

Furthermore, the board stresses the importance of complying with the principles of good corporate governance, whereby the administration considers which specific positions in the company that is to be established.

Based on the above, the board of directors recommends the annual general meeting to vote against the proposal.