

# 2013

Statement on remuneration  
for Statoil's Corporate Executive  
Committee



Statoil

## Statement on remuneration and other employment terms for Statoil's Corporate Executive Committee

### Chair introduction

*Statoil's remuneration policy and terms are aligned with the company's overall values, people policy and performance-oriented framework. Our rewards and recognition are designed to attract and retain the right people; people who perform, change and learn. The overall remuneration level and the balance between the individual components reflect the national and international framework and business environment in which we operate.*

*The board puts great emphasis in offering the company's executive team terms and conditions which are competitive in the oil and gas industry whilst at the same time relating to the governing principles for executive remuneration instigated by our major shareholder. This is a demanding balancing act, particularly in the context of the company's significant international presence and growth ambitions. In order to sustain our international growth, during the course of the coming years the company expects to recruit an increasing number of senior executives in the international labour market. The board will ascertain that the company's terms of remuneration also effectively supports the effort to secure sufficient international leadership capacity.*

*It is my firm belief that the remuneration systems and practices are transparent and deviations are explained in accordance with prevailing guidelines and good corporate governance.*



Svein Rennemo

Chair of the board and member of the  
board's compensation and executive  
development committee

Stavanger, 13 March 2014  
Svein Rennemo

Pursuant to the Norwegian Public Limited Liability Companies Act, section 6-16 a, the Board will present the following statement regarding remuneration of Statoil's Corporate Executive Committee to the 2014 Annual General Meeting.

## 1. Remuneration policy and concept for the accounting year 2013

### 1.1. Policy and principles

In general the company's established remuneration principles and concepts will be continued in the accounting year 2014. As described in section 1.2 below, the ongoing evaluation process regarding the general pension scheme in the parent company is expected to conclude in 2014.

The remuneration concept is an integrated part of our values based performance framework. It has been designed to:

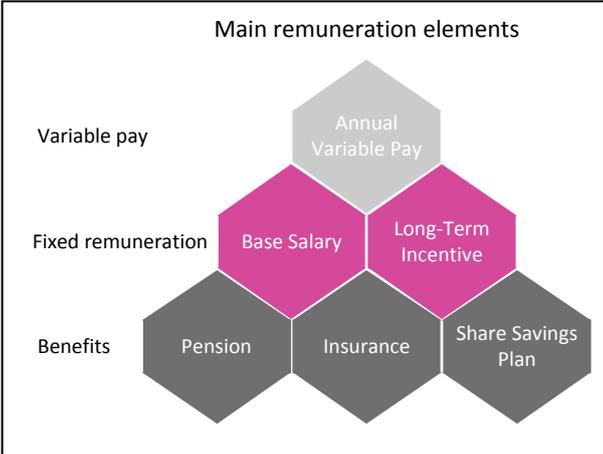
- reflect our global competitive market strategy and local market conditions
- strengthen the common interests of employees in the Statoil group and its shareholders
- be in accordance with statutory regulations and good corporate governance
- be fair, transparent and non-discriminatory
- reward and recognise delivery and behaviour equally
- differentiate on the basis of responsibilities and performance
- reward both short- and long-term contributions and results

### 1.2. The remuneration concept for the corporate executive committee

Statoil's remuneration concept for the Corporate Executive Committee consists of the following main elements:

- Fixed remuneration (base salary and long-term incentive LTI)
- Variable pay
- Benefits (primarily pension, insurance and share savings plan)

Fixed remuneration consists of base salary and a long-term incentive programme. Statoil will continue the established long-term incentive system in the form of fixed compensation with an obligation to invest in Statoil shares for a limited number of senior executives and key professional positions. The purpose of the LTI scheme is alignment with shareholder interests and retention. Members of the corporate executive committee are included in the scheme.



The only variable pay element for parent company executives is the annual variable pay scheme which has a maximum potential of 50% of the fixed remuneration (in line with the governmental guidelines on executive remuneration). The company's performance based variable pay concept will be continued in 2014.

The main benefit programmes applicable to senior executives are the general pension scheme, the insurance scheme and the employee share savings plan. The process of evaluating changes to the general pension scheme in the parent company is expected to be concluded in 2014. This evaluation includes an assessment on the question of replacing the current defined benefit scheme with a defined contribution scheme and the prevailing pension scheme for salaries exceeding 12 times the national insurance basic amount (G).

A revised pension scheme for new members of the corporate executive committee consistent with the governmental guidelines on executive remuneration will be designed and implemented when the changes to the overall pension system have been determined.

Deviations from the general principles outlined below pertaining to two members of the corporate executive committee, implemented with effect as of 1 January 2011, are described in section 3.1 below. These deviations have also been described in previous Statements on remuneration and other employment terms for Statoil's corporate executive committee.

The main elements of Statoil's executive remuneration are described in more detail in the table below.

#### Main Elements - Statoil Executive Remuneration

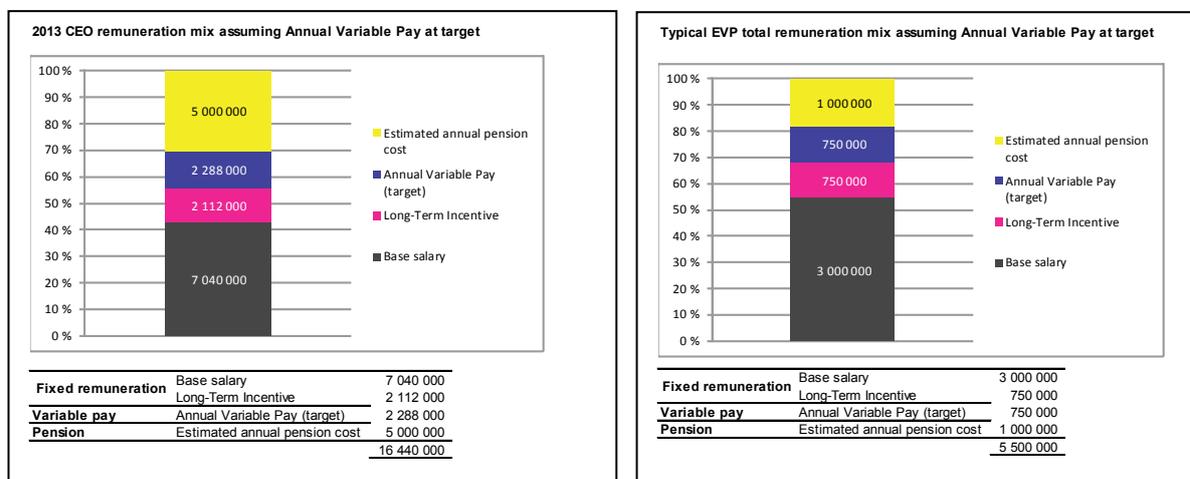
Remuneration Element	Objective	Award level	Performance criteria
<b>Base Salary</b>	Attract and retain the right high-performing individuals providing competitive but not market-leading terms.	We offer base salary levels which are aligned with the individual's responsibility and performance at a level which is competitive in the markets in which we operate.	The evaluation of performance is based on the fulfilment of pre-defined goals; see "Annual Variable Pay" below. The base salary is normally subject to annual review
<b>Long-Term Incentive (LTI)</b>	Strengthen the alignment of top management and shareholder interests and retention of key employees.	The long-term incentive system is a fixed, monetary compensation calculated as a portion of the participant's base salary; ranging from 20 – 30 per cent depending on the individual's position. On behalf of the participant, the company acquires shares equivalent to the net annual amount. The grant is subject to a three year lock-in period and then released for the participant's disposal. Deviations applicable for executive vice presidents employed outside the parent company are described in section 3.1 below.	In Statoil ASA, LTI is a fixed remuneration element. Participation in the long-term incentive (LTI) scheme and the size of the annual LTI element are reflective of the level and impact of the position and not directly linked to the incumbent's performance.
<b>Annual Variable Pay</b>	Drive and reward individuals for annual achievement of business objectives and behaviour goals.	<p>The chief executive officer is entitled to an annual variable pay ranging from 0 – 50 % of his fixed remuneration. Target<sup>1</sup> value is 25%.</p> <p>Correspondingly, the executive vice presidents have an annual variable pay scheme with a pay-out in the range of 0 – 40%. Target value is 20%.</p> <p>Deviations applicable for executive vice presidents employed outside the parent company are described in section 3.1 below.</p>	<p>Achievement of annual performance goals (delivery and behaviour), in order to create long-term and sustainable shareholder value. A balanced scorecard covering goals related to our five strategic objectives (People and organisation, Health, safety and environment, Operations, Market and Finance) are measured and assessed along with individual behaviour goals.</p> <p>One of several goals in the performance contracts of the chief executive officer and chief financial officer is related to the company's relative total shareholder return (TSR). Their annual variable pay is based on an overall assessment of the performance of various targets including but not limited to the company's relative TSR.</p>
<b>Pension &amp; Insurance Schemes<sup>2</sup></b>	Provide competitive postemployment and other benefits.	The general pension plan is a defined benefit scheme with a pension level amounting to 66 per cent of the pensionable salary conditional on a minimum of 30 years of service. Pension from the national insurance scheme is taken into account when estimating the pension. In order to draw a full pension from Statoil's occupational pension scheme the employment with the company needs to be maintained until the pensionable age.	N/A
<b>Employee Share Savings Plan</b>	Align and strengthen employee and shareholder interests and remunerate for long term commitment and value creation.	Offer to purchase Statoil shares in the market limited to 5% of annual base salary.	If shares are kept for two calendar years of continued employment, the participants will be allocated bonus shares proportionate to their purchase

<sup>1</sup> Target value reflects fully satisfactory goal achievement

<sup>2</sup> As outlined above, the company's general pension scheme is subject to revision

### 1.3. Remuneration mix

The diagrams below illustrate the CEO's remuneration mix and typical remuneration mix for executive vice presidents.



### 1.4. Pension and insurance schemes

The pension schemes for members of the corporate executive committee including the chief executive officer constitute supplementary individual agreements to the company's general pension plan.

Subject to specific terms in his pension agreement of 7 March 2004, the chief executive officer is entitled to a pension amounting to 66 per cent of pensionable salary and a retirement age of 62. The full service period is 15 years.

Two of the executive vice presidents have individual pension terms according to a previous standard arrangement implemented in October 2006. Subject to specific terms those executives are entitled to a pension amounting to 66 per cent of pensionable salary and a retirement age of 62. When calculating the number of years of membership in Statoil's general pension plan, these agreements grant the right to an extra contribution time corresponding to half a year of extra membership for each year the individual has served as executive vice president.

In addition, three members of the corporate executive committee in 2013 had an individually agreed retirement age of 65 and an early retirement pension level amounting to 66 % of pensionable salary.

The individual pension terms for executive vice presidents outlined above are results of commitments according to previous established agreements.

Following a board decision 7 February 2012, the company's standard pension arrangements for executive vice presidents deviating from Statoil ASA's general pension plan have been discontinued and have not been applied for new appointments to the corporate executive committee.

Pension accruals for pensionable salary above 12 times the national insurance basic amount (G) are recognised as an unfunded defined benefit pension plan, i.e. not funded in a separate legal entity.

In addition to the pension benefits outlined above, the executive vice presidents in the parent company are offered other benefits in accordance with Statoil's general pension plan including pension from the age of 67 based on the defined benefit arrangement. Members of the corporate executive committee are covered by the general insurance schemes applicable within Statoil.

The executive vice presidents employed outside the parent company had in 2013 defined contribution schemes (16 and 20% of base salary in contribution respectively) in accordance with the framework established in their local employment companies. The pension contribution was paid into a separate legal entity.

### **1.5. Severance pay arrangements**

Under the terms of his contract of 7 March 2004, the chief executive officer is entitled to severance payment corresponding to 24 months of base salary in the event of a board resolution to release him from his contract of employment. Severance payment is calculated from the expiry of the notice period of 6 months. The same entitlement applies should the parties agree that the employment will be discontinued and the chief executive officer gives notice pursuant to a written agreement with the board.

Executive vice presidents are entitled to a severance payment equivalent to six months' salary, commencing at the time of expiry of a six months' notice period, when the resignation is at the request from the company. The same amount of severance payment is also payable if the parties agree that the employment should be discontinued and the executive vice president gives notice pursuant to a written agreement with the company. Any other payment earned by the executive vice president during the period of severance payment will be fully deducted. This relates to earnings from any employment or business activity where the executive vice president has active ownership.

The entitlement to severance payment is conditional on the chief executive officer or the executive vice president not being guilty of gross misconduct, gross negligence, disloyalty or other material breach of his/her duties.

As a general rule, the chief executive officer's/ executive vice president's own notice will not instigate any severance payment.

### **1.6. Other benefits**

Statoil has a share savings plan available to all employees including members of the corporate executive committee. The share savings plan entails an offer to purchase Statoil shares in the market limited to five per cent of annual gross salary. If the shares are kept for two full calendar years of continued employment the employees will be allocated bonus shares proportionate to their purchase. Shares to be used for sale and transfer to employees are acquired by Statoil in the market, in accordance with the authorisation from the annual general meeting.

The members of the corporate executive committee have benefits in kind such as company car and electronic communication.

## **2. Performance management, assessment and results essential for variable pay for 2013**

Individual salary and annual variable pay review are based on the performance evaluation in our performance management system.

Performance is evaluated in two dimension; business delivery and behaviour. Behaviour goals are based on our core values and leadership principles and address the behaviour required and expected in order to achieve our delivery goals. Business delivery is defined through the company's performance framework "Ambition to Action", which addresses strategic objectives, KPIs and actions across the five perspectives People and Organisation, HSE, Operations, Market and Finance. Generally, Statoil believes in setting ambitious targets to inspire and drive strong performance.

In 2013, the main objectives and KPIs for each perspective were as outlined below. Each perspective was in addition supported by comprehensive plans and actions.

Strategic objectives	2013 result assessment
<b>People and organisation</b>	The strategic objectives and actions address global capabilities, learning, innovation, simplification and cost consciousness. The completion rate of 94% for the people management process People@Statoil <sup>3</sup> remained high. The measured quality of the process and results on competence development are stable.
<b>HSE</b>	The strategic objectives and actions address industry leadership in safety and carbon efficiency. The positive trend for the serious incident frequency continued and is now at its lowest level ever. There were no serious well incidents, whereas there were too many oil/gas leakages. The investigation following the In Amenas terrorist attack revealed a need for improvements, particularly within the areas of security leadership and processes. Improvement initiatives are in the process of being implemented.
<b>Operations</b>	The strategic objectives and actions address reliable and cost-efficient operations, value-driven technology development and our role as the industrial architect of the Norwegian continental shelf. Production was as expected, impacted by value creating divestments. Unit production cost remained in the targeted first quartile set against an industry peer group. Efforts to reduce unplanned losses continued.
<b>Market</b>	The strategic objectives and actions address stakeholder trust, value chain optimisation and an exploration driven resource strategy. In 2013 Statoil delivered the best exploration results in the industry, measured by conventional discovered volume. The company added 1.25 billion barrels of oil equivalent from exploration. The reserve replacement ratio (RRR) was 128%. Organic RRR was 147%, which is a record since 1999. Downstream results ended lower than 2012 mainly due to lower margins on gas sold and lower refining margins.
<b>Finance</b>	The strategic objectives address shareholder return, financial robustness and cost efficiency. RoACE was in the second quartile measured against an industry peer group, but TSR was in the fourth quartile measured against the same group.

### Board assessment of the CEO's performance

In its assessment of the CEO's performance and consequently his merit adjustment and annual variable pay for 2013, the board has put emphasis on the improvements within HSE, a solid delivery on production, very strong reserves replacement ratio and world-class exploration results. However, the TSR was below target in 2013 and has affected the board's evaluation of the performance.

The investigation following the In Amenas terrorist attack revealed a need for improvements, particularly within the areas of security leadership and processes. However, the CEO and his team demonstrated an exemplary ability to handle the difficult situation, evidenced by the company's response during and after this tragic incident. The Board is satisfied with the identification and initiation of the improvement measures.

Before final conclusions of the performance assessment are drawn, sound judgement and hindsight information are applied. Measured KPI results are reviewed against their strategic contribution, sustainability and significant changes in assumptions.

This balanced approach, which involves a broad set of goals defined in relation to both the delivery and behaviour dimensions and an overall performance evaluation, is viewed to significantly reduce the likelihood that remuneration policies may stimulate excessive risk-taking or have other material adverse effects.

<sup>3</sup> People@Statoil is Statoil's process for managing people development, deployment, performance and reward.

### **3. Execution of the remuneration policy and principles in 2013**

#### **3.1. Deviations from the Statement on Executive remuneration 2013**

Two members of the executive committee have variable pay schemes deviating from the description in section 1.2 above. The individuals in question are employed by Statoil Gulf Services LLC in Houston and Statoil Global Employment Company Ltd. in London. These schemes entail a framework for variable pay of 75-100% of the base salary for each of the elements (annual variable pay and long term Incentive). The long-term incentive is performance based. The contracts also include a provision for severance payment of 12 months' base salary.

The Board's overall assessment is that the extended framework implemented with effect from 1 January 2011 for the variable pay schemes for these executives is in alignment with the market, but not market leading for positions at this level at the respective locations.

#### **3.2. Development in actual remuneration**

During the last five-year period the average annual framework for merit increase in the parent company has been 3.25%. During the same period the CEO's average annual base salary increase has been 2.75%. As of 1 January 2014 the base salary increase for CEO was 2.5%. The annual variable pay for 2013 was 35% of the fixed remuneration. The base salary increase and the variable pay reflect the board's overall assessment of his performance as outlined in section 2 above. On average over the last five years, the annual variable pay has been 31%. This average was influenced by the fact that the maximum variable pay potential for 2009 was reduced by 50% as a consequence of the financial crisis.

#### **3.3. Changes to the Corporate Executive Committee in 2013**

A change to the corporate organisation structure was decided in 2012, leading to the discontinuation of the position as Executive Vice President and Chief of Staff. Effective 1 February 2013, Tove Stuhr Sjøblom was assigned to the role as Senior Vice President, Sub-Saharan Africa in Development and Production International.

### **4. The decision-making process**

The decision-making process for implementing or changing remuneration policies and concepts, and the determination of salaries and other remuneration for corporate executive committee, are in accordance with the provisions of the Norwegian public limited liability companies act sections 5-6 and 6-16 a and the board's rules of procedure. The board's rules of procedure are available at [www.statoil.com/board](http://www.statoil.com/board).

The board of directors has appointed a designated compensation and executive development committee. The compensation and executive development committee is a preparatory body for the board. The committee's main objective is to assist the board of directors in its work relating to the terms of employment for Statoil's chief executive officer and the main principles and strategy for the remuneration and leadership development of our senior executives. The board of directors determines the chief executive officer's salary and other terms of employment.

The compensation and executive development committee answers to the board of Statoil ASA alone for the performance of its duties. The work of the committee in no way alters the responsibilities of the board of directors or the individual board members.

For further details about the roles and responsibilities of the compensation and executive development committee, please refer to the committee's instructions available at [www.statoil.com/compensationcommittee](http://www.statoil.com/compensationcommittee).

## 5. Remuneration to members of the Corporate Executive Committee in 2013 (in NOK thousand)

CEC 2013	Position:	CEC period:	Employment company:	Resident in:
Lund Helge	Chief Executive Officer	Full year	Statoil ASA	Norway
Reitan Torgrim	Chief Financial Officer	Full year	Statoil ASA	Norway
Sjøblom Tove Stuhr	Executive vice president Corporate Staffs and services	Until 1 February 2013	Statoil ASA	Norway
Bacher Lars Christian	Executive vice president Development & Production International	From 1 September 2012	Statoil ASA	Norway
Dodson Timothy	Executive vice president Exploration	Full year	Statoil ASA	Norway
Øvrum Margareth	Executive vice president Technology, Projects & Drilling	Full year	Statoil ASA	Norway
Michelsen Øystein	Executive vice president Development & Production Norway	Full year	Statoil ASA	Norway
Sætre Eldar	Executive vice president Marketing, Processing & Renewable Energy	Full year	Statoil ASA	Norway
Maloney William	Executive vice president Development & Production North America	Full year	Statoil Gulf Services	USA
Knight John	Executive vice president Global Strategy & Business Development	Full year	Statoil Global Employment	UK

2013	Fixed remuneration		Annual variable pay	Taxable benefits in kind	Taxable compensation	Non-taxable benefits in kind	Estimated pension cost 3)	Estimated present value of pension obligation 4)
	Base pay 1)	LTI 2)						
Lund Helge	7,596	2,112	3,409	669	13,786	503	4,476	46,369
Reitan Torgrim	3,114	689	1,019	133	4,955		627	16,257
Sjøblom Tove Stuhr 5)	194			16	210	16	684	18,870
Bacher Lars Christian	2,937	671	634	366	4,608	427	711	15,425
Dodson Timothy	3,432	750	1,297	139	5,618	318	972	24,792
Øvrum Margareth	3,750	840	1,251	194	6,035	108	1,103	43,166
Michelsen Øystein	3,522	838	1,041	334	5,735	191	834	35,993
Sætre Eldar	3,524	836	1,038	367	5,765		1,003	42,360
Maloney William	3,985	2,451	2,733	786	9,955	159	627	
Knight John	5,172	2,426	2,426	754	10,778		1,034	

1) Base pay consists of base salary, holiday allowance and any other administrative benefits.

2) Participants in the Long-term incentive scheme are obliged to invest the net amount in Statoil shares with a lock-in period of 3 years.

The LTI element is presented the year it is granted.

Members of the corporate executive committee employed by non-Norwegian subsidiaries have an LTI scheme deviating from the model used in the parent company. A net amount equivalent to the annual variable pay is used for purchasing Statoil shares.

3) Pension cost is calculated based on actuarial assumptions and pensionable salary (mainly base salary) at 31 December 2013 and is recognised as pension cost in the Statement of income for 2013. Payroll tax is not included. The change to the estimated pension cost is mainly caused by changes to the economic assumptions from 2011 to 2012.

Members of the corporate executive committee employed by non-Norwegian subsidiaries were covered by a defined contribution scheme in 2013.

4) The increase to the estimated present value of the pension obligation is mainly due to changes to the underlying mortality assumption.

5) Tove Stuhr Sjøblom served as executive vice president through January 2013

2012	Fixed remuneration		Annual variable pay	Taxable benefits in kind	Taxable compensation	Non-taxable benefits in kind	Estimated pension cost	Estimated present value of pension obligation
	Base pay	LTI						
Lund Helge	7,224	2,050	3,307	681	13,262	537	4,950	37,515
Reitan Torgrim	2,721	640	1,102	113	4,576		666	10,965
Sjøblom Tove Stuhr	2,472	582	723	317	4,094	269	646	14,020
Peter Mellbye 1)	2,575	583	958	243	4,359		1,057	41,485
Bacher Lars Christian 2)	935	65		81	1,081	203	552	10,424
Dodson Timothy	3,151	706	1,215	135	5,207	386	1,081	16,982
Øvrum Margareth	3,570	810	1,205	199	5,784	195	1,127	34,192
Michelsen Øystein	3,372	812	1,009	379	5,572	277	875	26,309
Sætre Eldar	3,417	810	1,005	395	5,627		1,046	32,532
Maloney William	3,851	2,353	2,353	710	9,267	139	602	
Knight John	4,983	3,269	3,269	754	12,275		997	

1) Peter Mellbye served as executive vice president through August 2012

2) Lars Christian Bacher served as executive vice president from 1 September 2012



STATOIL ASA  
BOX 8500  
NO-4035 STAVANGER  
NORWAY  
TELEPHONE: +47 51 99 00 00

[www.statoil.com](http://www.statoil.com)