



**THE FUTURE IS NOW**  
STATOIL AND SUSTAINABLE DEVELOPMENT

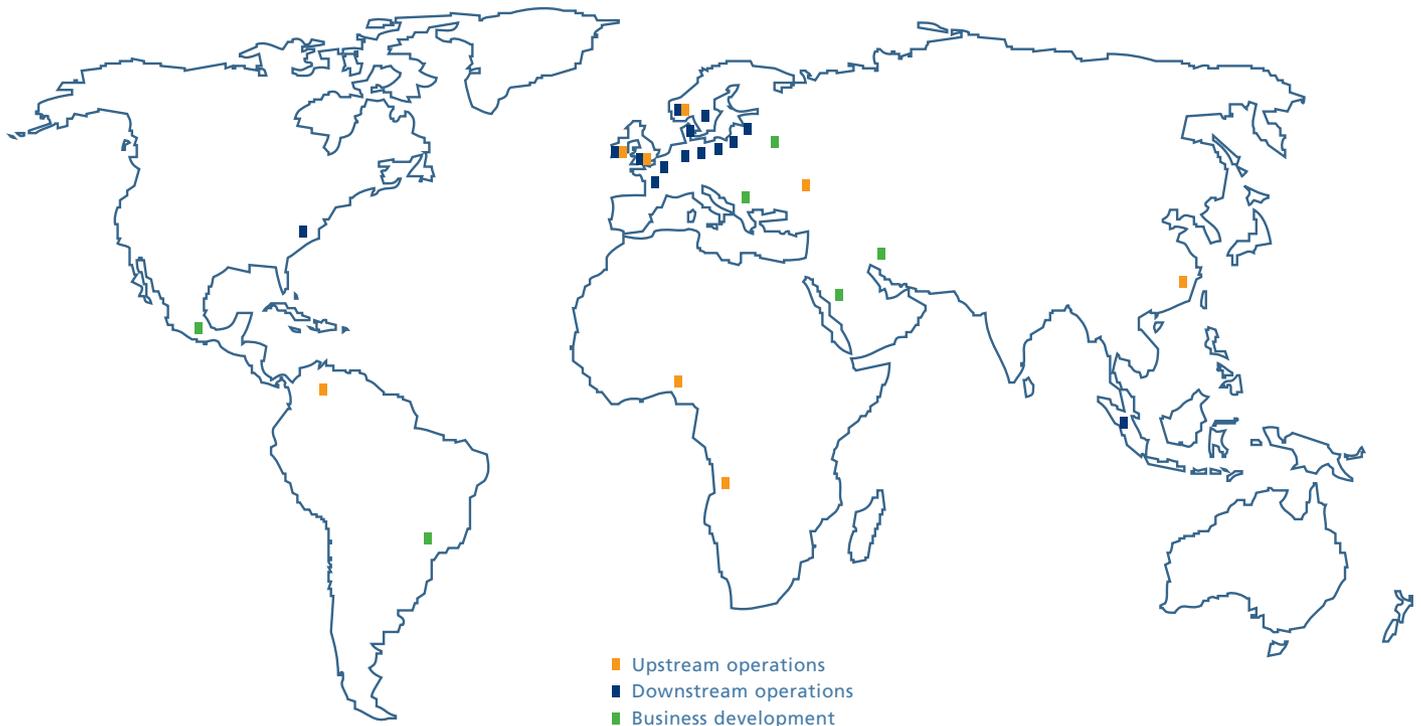


## ABOUT STATOIL

Statoil ASA is an international integrated oil and gas company with a strong focus on upstream activities. We have 16 686 employees and operations in 25 countries. We are the leading player on the Norwegian continental shelf. Our international upstream activities have gradually expanded in recent years. We are one of the world's largest net sellers of crude oil and a substantial supplier of natural gas to Europe. We are a leading Scandinavian retailer of petrol and other oil products, and operate growing downstream businesses in Poland, the Baltic states and Ireland.

Statoil was established in 1972 as the national oil company of Norway. We were partially privatised in June 2001 and listed on the Oslo and New York stock exchanges.

## WHERE IN THE WORLD?



**Norway - Denmark - UK - Ireland - Belgium - France - Sweden - Estonia - Latvia  
Lithuania - Russia - Poland - Germany - Azerbaijan - Turkey - Iran - Saudi Arabia - Nigeria - Angola  
China - Singapore - USA - Mexico - Venezuela - Brazil**

All artworks reproduced in this report come from Statoil's extensive collection of contemporary art. When we began collecting such works in the 1980s, our ambition was – and still is – to reflect the present rather than the past. The picture on the front cover is by Frans Widerberg (b 1934): *Tunnel*, 1984-86. Acrylic on canvas, 120 x 150 cm. © Frans Widerberg/BONO 2002

“SOME DISMISS OUR STATEMENT OF CORPORATE RESPONSIBILITY AND CONTRIBUTION TO SUSTAINABLE DEVELOPMENT AS CHEAP WINDOW DRESSING, AIMED MORE AT CHANGING PERCEPTIONS THAN AT IMPROVING REALITY. BUT ANY SUBSTANTIAL GAP BETWEEN WORDS AND DEEDS IS NOT SUSTAINABLE FOR LONG. THERE IS NO PLACE TO HIDE IN TODAY’S INTERCONNECTED WORLD. A GOOD REPUTATION CAN ONLY BE CREATED AND MAINTAINED BY RESULTS. CORPORATIONS MUST WALK THE TALK. OTHERWISE THEY WILL HAVE TO PAY.” *(Olav Fjell, Statoil’s chief executive officer)*

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## ABOUT THE REPORT

This is Statoil's first special report on sustainable development. In the past, we have reported on the triple bottom line\* in our annual report and accounts. We will now also be publishing a separate sustainability report on a regular basis.

This is being done to satisfy the external demand for more information about our policies and guidelines, management structure and systems, objectives and targets, and environmental and social performance. That demand comes from stakeholders as diverse as investors, government authorities, non-governmental organisations and the media.

We are also issuing this report to educate ourselves on how we can contribute to sustainable development. We believe that increased in-house awareness and understanding will lead to improved performance against the triple bottom line. Our employees are therefore a key readership for this report.

Since this is our first sustainability report, it does not focus exclusively on how we performed in 2001. The scope has been broadened to provide a context and give the reader a sense of where we are coming from. This is particularly true of the chapters dealing with our general approach to sustainable development and triple bottom line management.

Our contribution to sustainable development begins "at home" – with how we manage our business and treat our employees – and extends into society through economic, environmental and social impacts. We have organised this report accordingly. Moreover, all sections in the chapters on putting people first and affecting the world around us follow the same basic outline: they move from a discussion of *challenges* to a description of *policies* to an assessment of *performance* to a definition of *targets*.

We are committed to transparency over our performance against the triple bottom line. We continuously seek to improve our reporting. Your feedback on this first sustainability report will therefore be most welcome. Please post your comments on our web site:

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

*"The triple bottom line (TBL) reflects an integrated understanding of business performance, in which economic, environmental and social bottom lines are interdependent. The aim of the TBL approach is to ensure that our performance contributes to sustainable development by being economically viable, environmentally sound and socially responsible."*

TO SATISFY THE  
EXTERNAL DEMAND  
FOR MORE  
INFORMATION

TO EDUCATE  
OURSELVES

## OUR PERFORMANCE AT A GLANCE

	2001	2000	1999
<b>FINANCIALS<sup>1</sup></b>			
Total revenue	236 336	230 425	150 132
EBIT*	56 154	59 991	17 578
Net income	17 245	16 153	6 409
Capital expenditure	12 838	16 014	24 988
RoACE**	19.9%	18.7%	6.4%
<b>OPERATIONS</b>			
Combined oil and gas production <sup>2</sup>	1 007	1 005	967
Proved oil and gas reserves <sup>3</sup>	4 277	4 317	4 511
Production cost (USD/barrel)	2.92	3.08	3.38
Finding and development cost <sup>4</sup>	9.11	8.21	8.74
Reserve replacement rate <sup>5</sup>	0.68	0.86	1.03
<b>ENVIRONMENT<sup>6</sup></b>			
Oil spills (cubic metres)	246	120	419
Carbon dioxide emissions (million tonnes)	9.2	8.3	8.8
Nitrogen oxide emissions (tonnes)	29 500	30 300	29 100
Discharges of harmful chemicals (tonnes)	350	600	1150
Energy consumption (TWh)	44.2	40.0	34.7
Waste recovery factor	0.65	0.66	0.58
<b>HEALTH AND SAFETY</b>			
Total recordable injury frequency <sup>7</sup>	6.7	10.1	10.3
Serious incident frequency <sup>8</sup>	4.1	4.3	4.0
Sickness absence <sup>9</sup>	3.4	3.5	3.6
Fatalities <sup>10</sup>	1	2	2
<b>ORGANISATION</b>			
Employee satisfaction <sup>11</sup>	5.1	4.8	4.9
Proportion of female managers	15%	15%	16%
R&D expenditure <sup>12</sup>	633	656	718

<sup>1</sup> Key figures given in NOK million

<sup>2</sup> In 1 000 barrels of oil equivalent per day

<sup>3</sup> In million barrels of oil equivalent

<sup>4</sup> USD per barrel: three-year average

<sup>5</sup> Three-year average

<sup>6</sup> Data cover Statoil-operated activities only

<sup>7</sup> Data cover Statoil employees and contractors

<sup>8</sup> Data cover Statoil employees and contractors

<sup>9</sup> Total number of days of sickness as a percentage of possible working days

<sup>10</sup> Contractors. Zero fatalities among Statoil personnel. In 2001, there was a fatal accident on a vessel chartered for a single voyage by shipping subsidiary Navion. This incident is not included in the corporate statistics

<sup>11</sup> Working environment and organisation survey. Scale: 6 (highest) - 1 (lowest)

<sup>12</sup> NOK million

\*Earnings before interest and taxes

\*\*Return on average capital employed after tax



# SCHOOLED IN SUSTAINABLE DEVELOPMENT

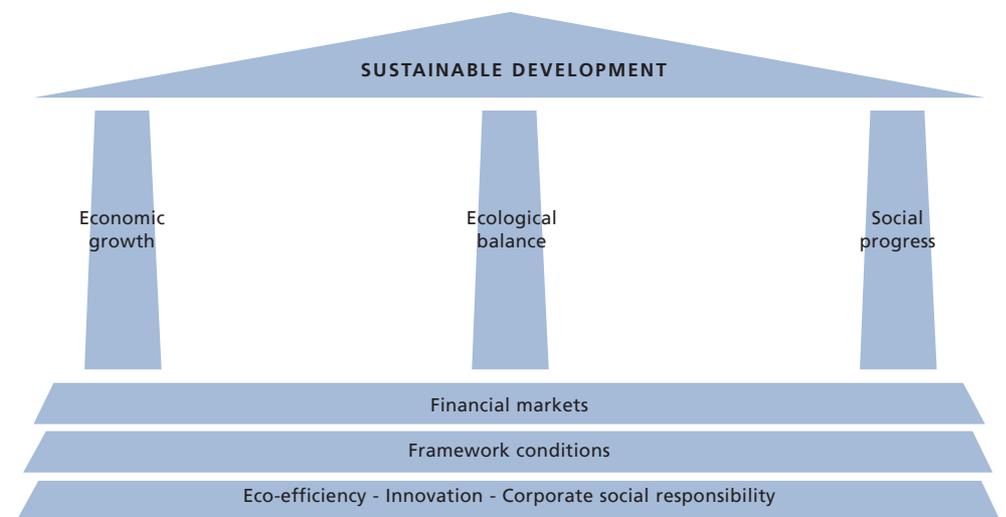
*Ulf Nilsen (b 1950): Sun and rain, 1996-97.  
Oil on cotton, 220 x 250 cm (detail).  
© Ulf Nilsen/BONO 2002*

*Sustainability, as we see it, is about performance and impact: performance against the triple bottom line and impact on people, the environment and society. Are we able to live our values, combining strong financial and environmental performance with socially responsible behaviour? Sustainability is about the way we conduct our business.*

Statoil has been schooled in sustainable development for three decades. We were born at the time of the first United Nations conference on the environment in Stockholm in 1972. We grew up with the environmental movement and the World Commission on Environment and Development (the Brundtland Commission). We turned 20 at the time of the UN Conference on Environment and Development in Rio de Janeiro and will be celebrating our 30th birthday around the same time as the World Summit on Sustainable Development in Johannesburg.

As a Norwegian-based company, we are accustomed to high environmental and social standards. Our licence to operate on the Norwegian continental shelf (NCS) has always depended on causing no harm through our activities to the country's rich coastal fisheries. We come from a tradition with a strong belief in stakeholder engagement. In Norway, the notion of a fair hearing has been institutionalised: those concerned or affected are to be heard.

**DEVELOPMENT THAT  
MEETS THE NEEDS OF THE  
PRESENT WITHOUT  
COMPROMISING THE ABILITY  
OF FUTURE GENERATIONS  
TO MEET THEIR  
OWN NEEDS\***



Source: World Business Council for Sustainable Development.

## **THE BUSINESS CASE**

Our commitment to sustainable development is underpinned by principle. We have a moral obligation to do what is right. We share responsibility for our common future. Being a good corporate citizen is also a matter of enlightened self-interest. There is a business

*\*Sustainable development as defined in 1987 by the UN World Commission on Environment and Development (the Brundtland Commission).*

case for sustainable development. Our contribution can help to preserve and create value by strengthening our competitive position in labour, consumer and capital markets.

Contributing to sustainable development is a means of reducing risk, enhancing our reputation and achieving robust profitability. This implies striking a balance between short-term earnings and long-term growth. Without profits, there can be no sustainable development.

### **ACCESS AND ACCEPTANCE**

Earning the right to grow requires a licence to operate. Such a licence depends on both access and acceptance. Access is the formal licence or concession granted by governments. Acceptance is the informal or social licence granted by societies. Acceptance, or lack thereof, is based on how stakeholders – those who affect and/or are affected by what we do – assess our performance. Acceptance rests on perceptions of benefits versus costs. Generally speaking, our ability to do business will be limited unless we can demonstrate that our presence, especially in poorer countries and emerging market economies, is a source of human progress – in other words, contributes to sustainable development.

**A LICENCE TO  
OPERATE DEPENDS  
ON BOTH ACCESS AND  
ACCEPTANCE**

### **HYDROCARBONS FOR THE FUTURE**

Statoil is committed to a rapid expansion of our international activities. It is our ambition that 40 per cent of our oil and gas production should come from international operations by 2012, compared to seven per cent in 2001. As we continue to grow our business and conquer new frontiers, we realise that the road to sustainable development is paved with tough challenges:

- **How can we help to meet the continued demand for our products with lower emissions of carbon dioxide?**
- **How can we move oil exploration and production into Arctic waters without injuring fragile ecosystems?**
- **How can we establish ourselves as a partner or operator in countries with regimes which score low on transparency, accountability and governance, while making a positive contribution to living standards and human rights?**

We should be able to deal with these challenges as well as, or better than, anyone else in our industry. Over the past 30 years, we have transformed ourselves from a preferred national oil company to a commercial enterprise with operations – upstream, midstream or downstream – in 25 countries. We have gone from being a fully state-owned company to a partially privatised company listed on the Oslo and New York stock exchanges. We have added value to the business as well as to society.

Our core values, however, remain the same. We are still committed to conducting business in a manner that is ethical, economically viable, environmentally sound and socially responsible. We are still committed to contributing to sustainable development.

# A TIMELINE OF DEFINING EVENTS

## *outside the company*

### **1963:**

The Norwegian government proclaims Norway's sovereignty over its continental shelf.

### **1966:**

Petroleum exploration begins off Norway.

### **1969:**

Phillips Petroleum discovers Ekofisk – Norway's first oil find.

### **1972:**

The UN conference on the environment is held in Stockholm.

### **1977:**

Norway experiences its first uncontrolled blow-out on the Ekofisk Bravo platform.

### **1980:**

The *Alexander L Kielland* flotel capsizes, killing 123 people.

### **1986:**

The first Troll gas sales agreements are signed – Norway's biggest-ever energy export deal.

### **1987:**

The Brundtland Commission coins the term "sustainable development" in its report *Our common future*.

### **1990:**

The Norwegian government establishes a petroleum fund. The net cash flow from Norway's oil and gas activities is to be invested outside the country.

### **1991:**

The Norwegian government imposes a tax on carbon dioxide emissions.

### **1992:**

One hundred and fifty-four governments sign the UN framework convention on climate change at the Rio summit on sustainable development.

### **1997:**

The UN framework convention on climate change is adopted in Kyoto.

## *inside the company*

### **1972:**

Statoil is established, following a unanimous vote by the Norwegian Storting (parliament).

### **1975:**

Statoil spuds its first exploration well in the North Sea.

### **1979:**

Statoil gets its first equity crude when oil begins to flow from Statfjord A.

### **1981:**

Statoil gets its first development operatorships, on Gullfaks and Statpipe.

### **1987:**

Statoil brings Gullfaks on stream and takes over as operator on Statfjord, the largest oil field in the North Sea.

### **1988:**

Statoil establishes an anti-corruption staff function.

### **1990:**

Statoil enters into an alliance with BP to pursue joint business opportunities in Africa, Asia and the former Soviet Union.

### **1992:**

Statoil endorses the International Chamber of Commerce's 16 principles for sustainable development.

### **1994:**

The "deal of the century" – the production sharing agreement for the Azeri-Chirag-Gunashli field in Azerbaijan's sector of the Caspian – is signed. As a member of the operating consortium, Statoil adds 252 million barrels of oil to its reserve base.

### **1995:**

Statoil's presence in Nigeria comes under attack from Norwegian public opinion, following the execution of Nigerian author Ken Saro-Wiwa.

### **1996:**

The Troll Gas project comes on stream, with Statoil as operator.

Statoil starts to inject Sleipner West carbon dioxide into an underground structure.

### **1997:**

Statoil celebrates its 25th anniversary and sums up: NOK 13 billion in dividend and NOK 75 billion in taxes paid to the Norwegian state.

A helicopter crashes en route to Statoil's Norne field in the Norwegian Sea, killing all 12 people on board.

Early production begins from the Azeri-Chirag-Gunashli oil field.

The Lufeng oil field off China is brought on stream – Statoil's first development as an operator outside Norway.

### **1998:**

Statoil signs a collaboration agreement with the International Federation of Chemical, Energy, Mine and General Workers' Union (ICEM).

### **2000:**

Statoil endorses the UN Global Compact, a set of principles designed to promote human and labour rights and environmental responsibility.

### **2001:**

Following a majority vote by the Storting, Statoil is partially privatised and listed on the Oslo and New York stock exchanges. Nearly half of Statoil's employees become shareholders.

Oil and gas reserves increase by more than 50 per cent through the acquisition of assets held directly by the Norwegian state.

The world's largest deepwater project – the Girassol oil field off Angola – comes on stream with Statoil as a partner.

Statoil signs cooperation agreements with Amnesty International Norway, the Norwegian Red Cross, the Norwegian Refugee Council and the Nordic and Baltic section of the UN High Commissioner for Refugees (UNHCR).



*John Elkington, chair of global management consultancy SustainAbility and author of numerous books on triple bottom line business strategy, interviewed Olav Fjell about Statoil's sustainability agenda on 21 May 2002. This is an edited transcript of their conversation.*

**JE:** One of the things you did in 2000 was to launch a review of Statoil's values. Why are values important in relation to the corporate social responsibility (CSR) and sustainable development (SD) agendas?

**OF:** It's important that we have clear values, because if people agree on values they tend to find workable solutions and answers to challenges. There was a genuine discussion of corporate values in Statoil at the

beginning of the 1990s, when an agreed set of values was put in place. What we wanted now was to revisit this, for two reasons:

First, now that we had become a listed company, people asked the question: What does this mean to Statoil? And, with particular emphasis on health, safety and environmental (HSE) issues, they wanted to know: Will Statoil now be a "colder" company, with more focus on money, or will HSE still be high on the agenda? What about CSR, which has been at the core of Statoil's values since its incorporation 30 years ago? Will the focus be on short-term profits, or will CSR still play a role?

Second, we found that people in 2000-01 were using a quite different language to describe these agendas

# A CONVERSATION WITH THE CEO

than when we first reviewed our values. Overall, the conclusion was that the values which had been held by Statoil during its first 30 years would remain in place, but that we would need to use a different language to communicate them.

**JE:** In terms of the energy sector more generally, some people see CSR or corporate citizenship as do-able. But sustainable development is seen

as more of a stretch for a business based on non-renewables.

**OF:** It's a contradiction in terms, right?

**JE:** Yes, but growing numbers of energy companies talk energetically about sustainability. Where do you

see Statoil in all of that? As a pioneer, as a leader, or as a follower?

**OF:** We've received feedback from various stakeholder groups which indicate that we're in the forefront as far

as CSR is concerned. And that's where we aim to be. But when it comes to environmental issues, we are not so much in the forefront as we'd have liked to be. I hope this is more of a

communication issue, but we're taking it seriously.

**JE:** Statoil is now moving out into parts of the world where governance is much weaker, and where corruption is endemic. You don't, as a company, have a "no-go" policy. How do you decide on where you should

**IT'S IMPORTANT THAT WE GO ABOUT DOING BUSINESS IN A WAY WHICH STRENGTHENS SOCIETY. AND THAT'S OFTEN EASIER SAID THAN DONE.**

and shouldn't operate? And on what sorts of terms and conditions?

**OF:** The only areas out of bounds up front are those on the list of countries with which the Norwegian government would not recommend that we trade. But for other countries, our general attitude would be that it's normally better for business to get involved in them than to stay away. However, it's important that we go about doing business in a way which strengthens society. And that's often easier said than done. You'll also see that corruption is a real problem and that societies are highly undemocratic in many of the countries with rich oil and gas resources. It's a very fine balance for us to strike on how much we, as a commercial organisation, can do – and what is best left to politicians and NGOs.

**JE:** As a relatively small player, you must often be in joint ventures – not as the operator, but taking the lead from other state or private oil companies. Is that a problem?

**OF:** It's generally manageable. My impression is that all the bigger oil companies are very serious about their non-corruption policies and about working in a way which can also be communicated back home where their headquarters are based. That's one of the good things which have come out of this transparent world in which we live.

**JE:** That sounds fairly optimistic. Maybe some of the companies you work with have the same philosophy, but quite a number will have a much less energetic policy in relation to corruption?

**OF:** There are degrees, I appreciate that. Especially

when it comes to environmental issues.

**JE:** And human rights and corruption issues?

**OF:** Yes. Again, there are shades and degrees. But we generally aim to make our voice heard through the licensing process and the committees.

**JE:** What would happen if Statoil people were nervous about their immediate line manager being responsive to an issue they had come upon? Is there some other route through which such information could flow?

**OF:** We have a system like that for safety matters, and it's now being extended to wider ethical issues.

**JE:** A number of things major companies have done go well beyond the call of duty. Statoil, too. You helped

train the judiciary in Venezuela, for example. What's the story here?

**OF:** Everybody in such countries would benefit from a stronger judicial system. Good governance and sound CSR or SD performance depend on such institutions. So we're happy to have been given the opportunity to help there.

**JE:** With climate change becoming an issue and feeding into the world of politics, do you see a new calculus coming into the energy field? Do climate calculations come into your decisions on what to do and what not to do?

**OF:** So far, it's had more impact on the way we do things than on whether we do them. As we face tougher requirements to meet certain quantitative goals on carbon dioxide emissions, for example, this will also impact what we're actually doing.

**WHEN IT COMES TO ENVIRONMENTAL ISSUES, WE ARE NOT [PERCEIVED TO BE] SO MUCH IN THE FOREFRONT AS WE'D HAVE LIKED TO BE.**

**JE:** What about emission trading? Is that an area in which Statoil is interested and active?

**OF:** Well, we're interested and we're moving up the learning curve. Unfortunately, many people see emission trading as a way of buying the right to do the wrong things. As I see it, it's more a way of making sure that the money spent on environmental issues is applied where you can get the most out of it. And if you look at what the cost of reducing carbon dioxide emissions on the NCS would be, compared to what you'd have to spend in some other countries, the factor is at least six to one. Then I think, let's rather spend NOK 1 billion in an area where you get NOK 6 billion worth of improvement than in one where you get only NOK 1 billion.

**JE:** Reading this report, it's clear that Statoil sees itself as an integrated oil and gas company, at a time when other companies are trying to redefine themselves as energy companies or more broadly still. I'd like to get some sense of how that thinking is likely to move forward.

**OF:** I have quite a few comments on that. The reason we've communicated that we're an integrated oil and gas company is *not* because we aren't concerned about what'll happen in the longer term. If you look at what will or could be the source of our revenues over the next 10-20 years, it's oil and gas. Let's not try to communicate something that's wrong, or only half true, because we are an integrated oil and gas company – and will remain one for many years. We're spending money on carbon dioxide management, we're spend-

ing money on hydrogen and we're spending money on renewables, but let's be honest about where the real business is likely to be for years to come.

**JE:** Where do you see the biggest CSR or SD risks for Statoil over the next three to five years?

**OF:** The biggest challenge is actually whether we might, in any way, become involved in something that could lead to an accusation of corruption or misbehaviour on our part in one of the countries which we know to be very, very difficult. That could be extremely serious for us. And that's why we're trying to take

precautions and train ourselves to see what's wrong. These are new waters for us, a different world.

**JE:** A final question: BP Amoco, ExxonMobil – we've

got those huge energy giants appearing in the landscape. If you think about the next 15-20 years for Statoil, where do you see the competitive landscape taking you? Is there any danger that your CSR and SD initiatives might make you a more attractive – or less attractive – takeover target?

**OF:** What would make us attractive as a takeover target is if we ran our business so that other people believed they could get much higher value out of it than we do. In terms of our HSE and CSR profile, it's easier to have a very clean, well understood and communicated profile if you are a company our size than if you're the result of merging many, many different companies with different cultures. So our position is that this is actually one of our assets, and we have to make sure that it remains so.

**SO FAR, CLIMATE CALCULATIONS  
HAVE HAD MORE IMPACT ON  
THE WAY WE DO THINGS THAN  
ON WHETHER WE DO THEM.**



# MANAGING OUR BUSINESS

*Esther Maria Bjørneboe (b 1971): Transit, 1999-2000.  
Acrylic on canvas, 160 x 140 cm (detail).  
© Esther Maria Bjørneboe*

*Statoil believes sustainability is a proxy for good management. We strive to make this an integral part not only of our corporate values but also of the way we set targets, monitor results and reward performance.*

## CORPORATE VALUES

Our commitment to contributing to sustainable development is embedded in a host of governing documents, ranging from the general, such as *Management and Control in Statoil*, to the more specific, such as *Ethics in Statoil*, *HSE Management in Statoil*, and *Human Resource Management in Statoil*. However, our most basic set of rules is enshrined in *We in Statoil*. This is our combined statement of corporate values and business principles. It enumerates how we would like to earn our profits.

**OUR BUSINESS  
STRATEGY IS THE LINK  
BETWEEN WHAT WE  
BELIEVE IN AND WHAT  
WE AIM TO  
ACHIEVE**

## WE IN STATOIL



### **What we believe in:**

- *Delivering what we promise*
- *Zero harm*
- *Teamwork and learning*
- *Social responsibility*

### **What we aim to achieve:**

- *Safe and efficient operations*
- *Satisfied customers*
- *Profitability and growth*
- *Strong market positions*
- *Winner technology*
- *Cleaner energy*

**HSE**

**Our objectives in health, safety and the environment:**

- **zero harm to people or the environment**
- **zero accidents or losses**

- A high performance in HSE has a value in itself. It is also a prerequisite for positive financial results and a good reputation.
- We will contribute to sustainable development.
- We apply the same attitudes towards HSE wherever we do business.
- We expect our suppliers and partners to share our values and objectives.

**You and I have a common responsibility to care for the environment, our values and each other!**

Statoil  
Production and CO2

**STATOIL**

## FROM STRATEGY TO ACTION

Put simply, our business strategy is the link between what we believe in and what we aim to achieve. The strategy is outlined in the corporate plan, which determines key performance indicators (KPIs) throughout the organisation.

KPIs are an integral part of our “virtuous” circle of Plan – Do – Check – Improve. This system of continuous assessment and improvement is also designed to help identify and manage risks. We define risk management as our ability to foresee events that might have a negative impact on the triple bottom line and, if required, to take preventive or mitigating action.

A typical Statoil performance contract is heavy on financial and operational indicators. But performance measurements related to health, safety and the environment (HSE), employee satisfaction and other organisational issues are also included in these contracts.

HSE accounts for at least 20 per cent in any assessment of overall performance, and has been one of our core values since the company was founded. In 1996, the “zero mindset” was adopted as the overall corporate ambition, specified as zero harm to people or the environment, and zero accidents or losses. Our HSE poster expresses this commitment.

It is not possible, of course, to give a metric answer to the question of how sustainable we are. Some issues of sustainability still escape exact measurement. For the time being, we will sometimes have to rely more on qualitative than on quantitative assessments. It is therefore our ambition to introduce assurance letters as a supplementary reporting and risk management tool in 2002.

At the same time, we will continue to improve on existing internal measurements and seek to introduce new indicators, drawing inspiration from the work of the Global Reporting Initiative (GRI) in the field of sustainability reporting.



#### PERFORMANCE-BASED PAY

Over the last two years, Statoil has introduced a performance-based pay scheme. We can now offer new financial incentives to deliver first-class performance.

Some 350 managers are currently covered by individual performance contracts, under which they can earn up to 20 per cent of their base salary in bonuses. The actual size of the bonus depends on performance: the extent to which the manager has

delivered results as stipulated in the contract.

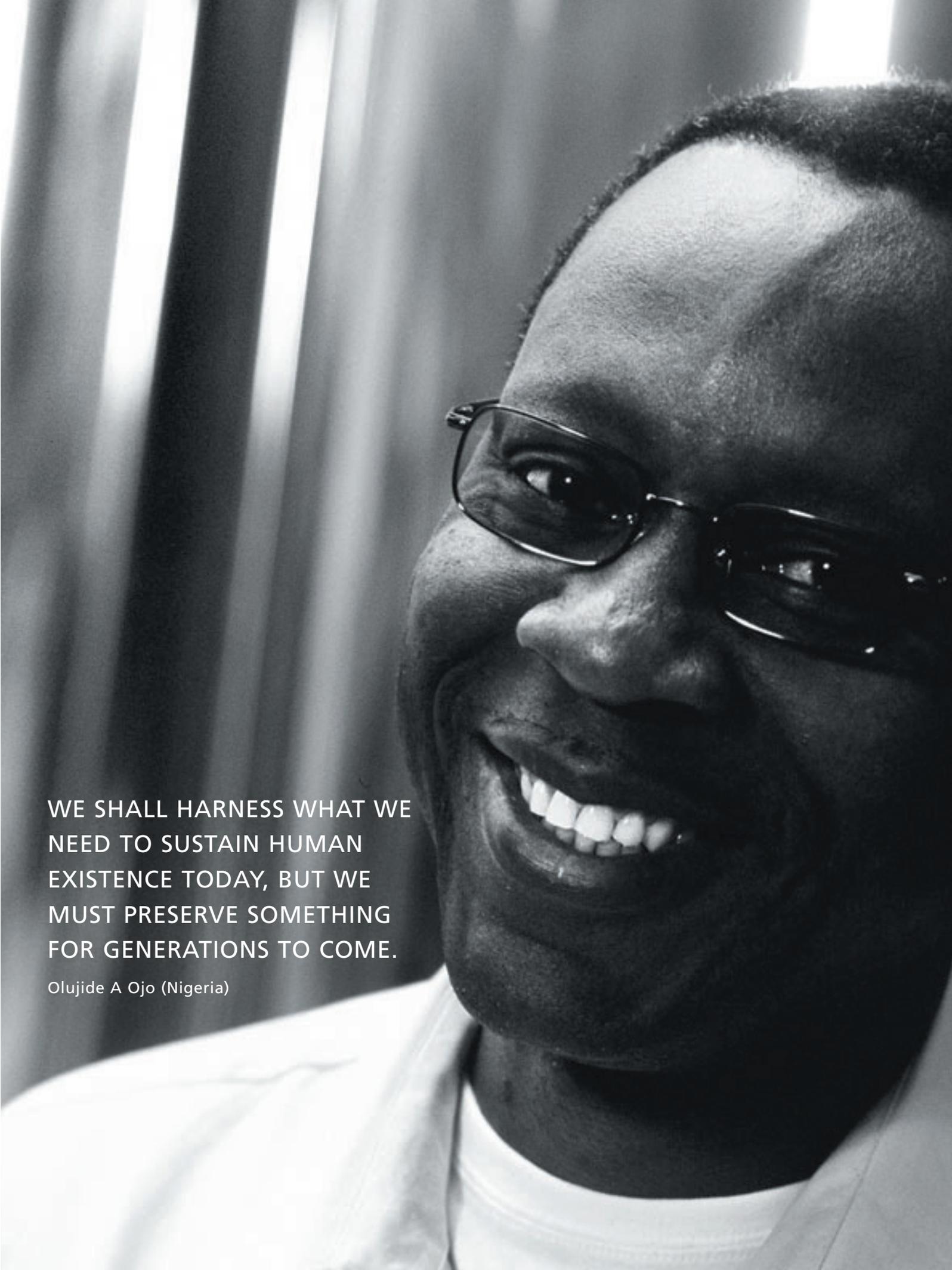
Statoil is the sum of our collective efforts. We have accordingly decided that, if the collective does well, all permanent employees of Statoil ASA should share in a bonus scheme. This payment is linked to our financial performance and limited to a maximum of five per cent of the employee’s base salary. The bonus for 2001 was five per cent.

#### THE ROLE OF THE BOARD

Sustainability is linked to corporate governance and therefore involves the relationship between Statoil’s management, its board, its owners and other stakeholders.

Management is held accountable to shareholders through the following governance structure: The general meeting elects the corporate assembly, which elects the board of directors. Employee representation is strong in Statoil – a third of the members of the corporate assembly and the board of directors are elected by and among the employees.

The Statoil board is composed of non-executive directors. It is responsible for group strategy and all major investment decisions. The board also monitors the performance of

A black and white close-up portrait of a man with short hair and glasses, smiling broadly. He is wearing a light-colored collared shirt over a white t-shirt. The background is dark with vertical light streaks, possibly from window blinds.

WE SHALL HARNESS WHAT WE  
NEED TO SUSTAIN HUMAN  
EXISTENCE TODAY, BUT WE  
MUST PRESERVE SOMETHING  
FOR GENERATIONS TO COME.

Olujide A Ojo (Nigeria)

the chief executive and his corporate executive committee, including their commitment to contributing to sustainable development.

## STAKEHOLDERS

A stakeholder is an individual, a group of individuals or an organisation affected by or affecting our company. Statoil's most significant stakeholders are shareholders, employees, customers, partners/suppliers, government authorities, local communities, non-governmental organisations and the media. The degree to which we feel accountable to these stakeholders – and the degree to which they influence us – will vary considerably. More discussion of stakeholders and our interaction with them will be provided in later chapters

### THE VOICE OF THE WORKFORCE

Statoil has carried out an annual working environment and organisation survey (WEOS) since 1986. This tool is intended to map developments and assess our performance on organisation, management and the working environment.

The survey is anonymous, and results are compiled, registered and aggregated by an independent polling agency.

This provides information on strengths and weaknesses to employees and managers at all levels, and is used to identify measures for improving business performance and the working environment.

On a scale from 1 to 6, respondents are asked the extent to which they agree or disagree with the statements listed in the questionnaire. The scores are interpreted as follows:

4.5 and above	good to very good
4 to 4.4	fair
Below 4	weak
3.5 and below	poor

The survey also monitors whether action has been taken on the results from the previous survey.

A positive response was received in 2001 from 70 per cent of employees to the question: "In my unit, improvement measures have been implemented as a result of the previous working environment and organisation survey".

Since 2000, managers' performance contracts have been linked to the results of the survey.

Results from the WEOS are used throughout the report as illustrations of awareness and performance.

*Statoil is committed to contributing to sustainable development. We have asked some of our employees from various parts of the world to define what this means to them.*



D.T.

# BUSINESS ETHICS

*Dag Thoresen (b 1953): Night in my veins, 1997.  
Acrylic on canvas, 120 x 100 cm (detail).  
© Dag Thoresen/BONO 2002*

EVERY YEAR, WE  
ENCOUNTER A HANDFUL  
OF CASES WHICH INVOLVE  
CONFLICTS OF INTEREST  
AND, VERY OCCASIONALLY,  
OUTRIGHT CORRUPT  
ACTIVITY



Companies are cooperating to combat the buying and selling of confidential information.

*Statoil is committed to honesty, integrity and fairness. We believe that high ethical standards are vital to the success of our business. They build trust with stakeholders, strengthen the rule of law and contribute to sustainable development.*

## CHALLENGES

According to the International Association of Oil & Gas Producers (OGP), 80 per cent of the world's oil and gas reserves are in countries found at the bottom of Transparency International's corruption perceptions index. Like most companies in our industry, we have encountered corrupt practices of one form or another.

### RESPONDING TO GLOBAL WITNESS

Stakeholders increasingly expect us to fight bribery and corruption with transparency. In Angola, for example, Global Witness has called on international oil companies to show that they are not "complicit in the looting of the Angolan people" by making their accounts public. Statoil's response has been to point out that we apply the same stan-

dards of openness to Angola as we do everywhere else. The accounts covering our revenues and expenses in Angola are already in the public domain, lodged with the Norwegian Register of Company Accounts at Brønnøysund and available on enquiry. See the web site at: [www.brreg.no](http://www.brreg.no)

While corruption is often described as an external threat, experience has shown that dishonesty, greed, lack of integrity, indifference, commercial expediency or simple naivety on the part of companies or employees frequently make a significant contribution to the problem.

## POLICIES

A detailed policy document, *Ethics in Statoil*, sets out specific requirements and provides guidance on risk areas, such as conflicts of interest, bribery, facilitation payments, gifts and entertainment, use of agents and so forth.

We specifically prohibit receiving, offering or soliciting bribes. All forms of corruption are regarded as unacceptable, and we believe that even facilitation payments – small sums typically paid to low-level officials to expedite tasks they are supposed to carry out anyway – must be eradicated.

We recognise that such payments are sometimes unavoidable. But they cannot be condoned. If they are paid, we require that they are accurately recorded as such in our books and not disguised as something else.

Statoil does not support any political party or candidate. This means that we make no political contributions. However, we do reserve the right to participate in public debates where this is in our business interest.

## PERFORMANCE

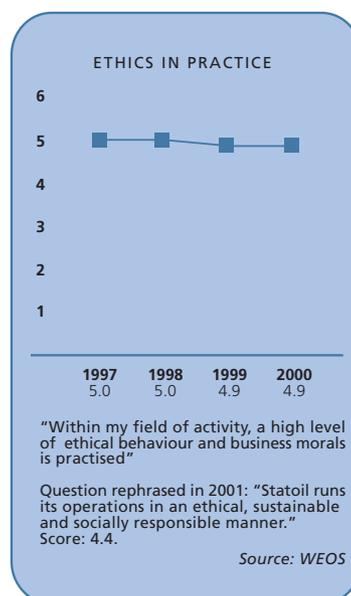
Every year, we encounter a handful of cases which involve conflicts of interest and, very occasionally, outright corrupt activity. We thoroughly investigate all allegations of corruption and dismiss the employees concerned if the charges are proven. Where appropriate, the case is also reported to the authorities.

Over the last few years, organised manipulation of the contract award process by individuals known as “illegal information brokers” has generated so much concern in the industry that Statoil now cooperates with like-minded companies to fight such illegal activities and develop best preventive practice.

Corporate staff support the business areas by providing reputational due diligence services prior to agreements being established with partners, suppliers, agents and consultants.

High ethical standards within the company depend on the attitudes and behaviour of individual employees. We provide training in ethical dilemmas through in-house management courses, and to project managers and individual business assets.

The dilemmas studied are based on actual events and therefore both relevant and realistic. Dilemma-based exercises stimulate interest and enable participants to feel directly associated with the problems they face. Eight training sessions were held in 2001.



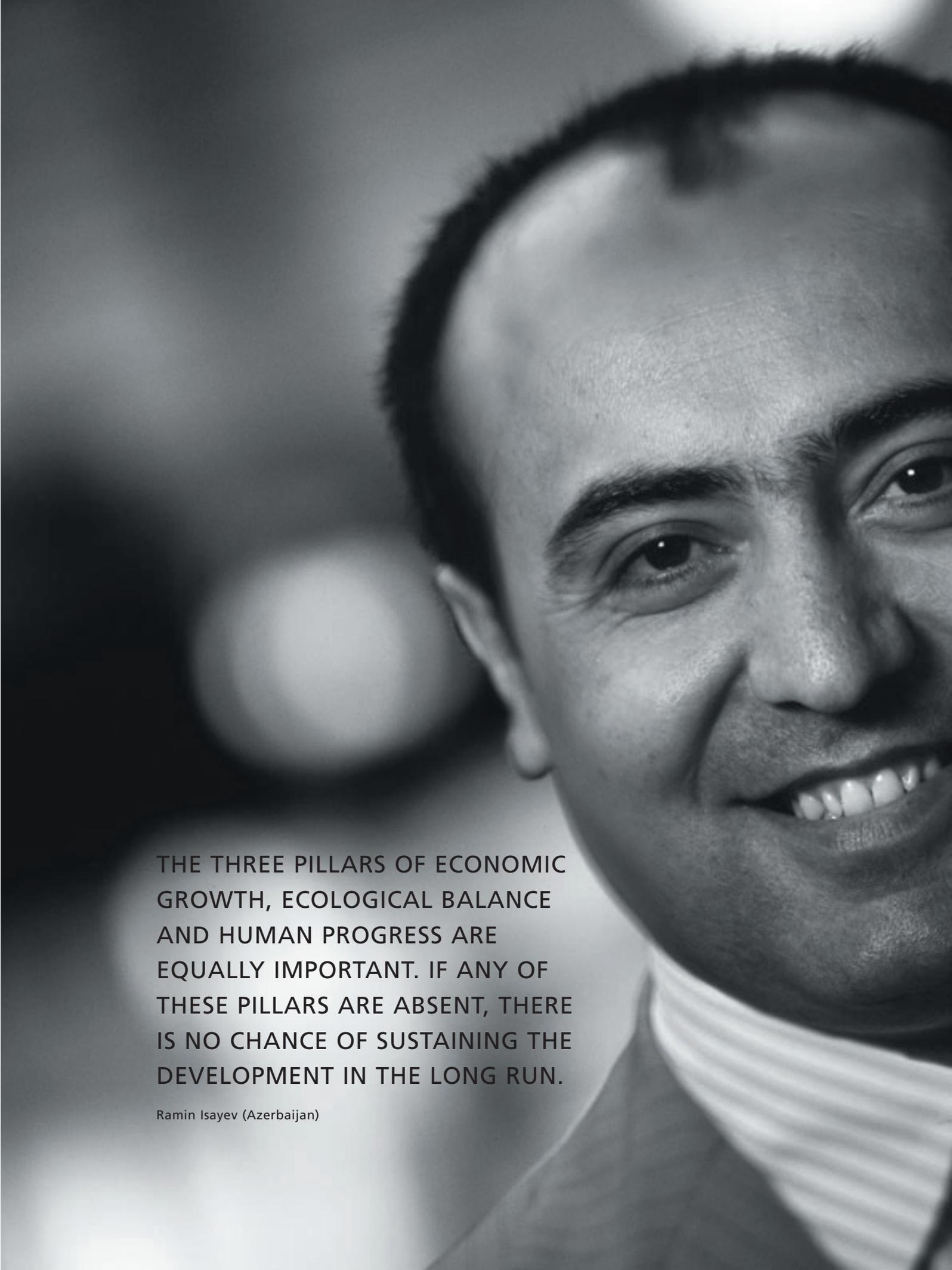
### AN EXAMPLE OF AN ETHICAL DILEMMA

**1.** You are the country manager for a retail operation in Korrupterberg, the capital city of Briberia. Applications through the city offices for service station operating permits can take up to four months, with low-grade bureaucrats hinting that small payments would smooth the path and lead to a quicker service. The delays are causing severe problems

with your business plans and you are behind schedule. Your boss is not happy. Your deputy tells you to make the payments, saying everybody does it anyway and no-one cares.

**2.** What do you do?

**3.** Describe the risks and justify your decision.

A black and white close-up portrait of a man with short dark hair, smiling slightly. He is wearing a white turtleneck sweater under a dark suit jacket. The background is blurred with soft light spots.

THE THREE PILLARS OF ECONOMIC  
GROWTH, ECOLOGICAL BALANCE  
AND HUMAN PROGRESS ARE  
EQUALLY IMPORTANT. IF ANY OF  
THESE PILLARS ARE ABSENT, THERE  
IS NO CHANCE OF SUSTAINING THE  
DEVELOPMENT IN THE LONG RUN.

Ramin Isayev (Azerbaijan)

We expect our suppliers to adhere to the same standards as we do. Those who fail to meet our expectations will generally be weeded out through the pre-qualification process. Our basic requirement is that those who do work for us should have guidelines for business ethics and conflicts of interest. In some cases, the supplier may also be asked to sign a written statement of adherence to Statoil's ethical guidelines.

## TARGETS

- We plan to operate an ethics help line on a trial basis for six months from the autumn of 2002. This will allow any employee to seek assistance or report concerns on a confidential basis by phone, fax, e-mail or in person. The results of the trial will be evaluated to determine whether or not the help line should continue on a permanent basis.
- We also plan to introduce a more structured, systematic approach to ethics training in 2002 by integrating this subject into existing company training courses.

### **BUILDING CAPACITY TO FIGHT CORRUPTION IN LATVIA**

Statoil serves on the board of the Foreign Investors Council in Latvia. This body, which meets twice a year with the government, is a strong advocate of tougher measures to fight bribery and corruption. It has been actively involved in the process leading to the recent establishment of a Corruption Prevention Bureau in Latvia.

The bureau will spearhead Latvia's anti-corruption effort. It will have the authority to prepare legislation, coordinate implementation, investigate transgressions and hold public officials accountable before the law.



# PUTTING PEOPLE FIRST

*Håkon Gullvåg (b 1959): The winged one, 1989.  
Oil on canvas, 200 x 250 (detail).  
© Håkon Gullvåg/BONO 2002*

*Contributing to sustainable development is also about respecting people. We believe that corporate citizenship begins with the way we treat our own employees: how we protect their health and safety, how we reward their performance, how we seek their counsel, how we develop their potential and how we promote diversity and inclusiveness. If we cannot manage our human capital properly, we are shirking our responsibility to the individual employee, to shareholders and to society at large.*

## Safety and occupational health

Absolute safety in oil and gas operations is essential on both humanitarian and commercial grounds. We believe that high HSE standards have a value in themselves. They are also a prerequisite for strong financial results and a good reputation. Managing HSE is about dedication, leadership and culture.

### CHALLENGES

We take pride in the progress we have made over three decades in improving our safety performance. Still, we are in a business which is not without risks. People can get injured and lose their lives. Over the years, some have – much to our regret.

Concern about the risk of major accidents has focused public attention on safety conditions on NCS installations. The Norwegian Petroleum Directorate has sounded a warning against complacency and slipping performance. We have pledged to make a strong health and safety culture even stronger.

Under no circumstances will we compromise our HSE standards to achieve cost reductions. As we see it, there is no acceptable trade-off between the two.

### PIONEERING WORK ON SAFETY

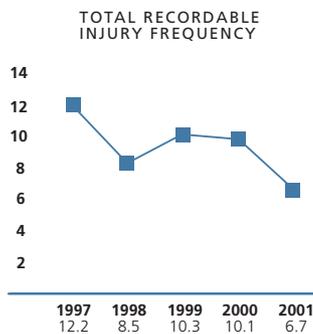
The most extensive safety inspection in Statoil's history has just been completed. It was carried out over an 18-month period at our premier land-based and offshore installations by in-house personnel in cooperation with Det Norske Veritas (DNV). The aim was to raise the general level of safety in the company, thereby further reducing the potential for major incidents.

According to the final report, about 85 per cent of our safety systems passed the inspec-

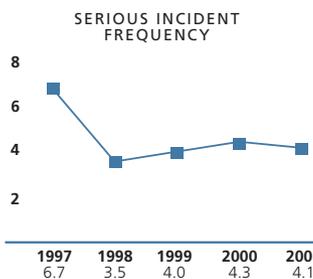
tion without any remarks. Some deficiencies were identified, but none of the findings were so critical that they required immediate improvement or stoppage.

Says Magne Ognedal, director for supervisory activities at the Norwegian Petroleum Directorate (NPD):

"The NPD will follow up this pioneering work and apply the knowledge and insights gained to the rest of the oil industry."



Definition: The number of fatalities, lost-time injuries, cases of alternative work necessitated by an injury and other recordable injuries per million working hours



Definition: The number of undesirable events with a high loss potential per million working hours

Supplier or contractor involvement in oil and gas operations is continuing to grow. Strengthening collaboration between operator and contractor is a key element in achieving further improvements in our company's safety performance.

Safety incidents often involve human error. This is why awareness and training are so important. In order to improve our safety results, moreover, we seek to arrive at a better understanding of the interaction between people, facilities and management systems.

## POLICIES

Zero harm to people, and zero accidents or losses. This is our ultimate goal. Striving to get to zero is what our efforts in safety and occupational health are all about. It forms part of our zero mindset for HSE, and underpins a continuous improvement process of measuring and reporting results.

The zero mindset states that no harmful incidents are acceptable. It serves as a warning against complacency. It makes us work hard – continuously – to bring the number of accidents and injuries ever closer to zero, both within Statoil and among our contractors. Because of the zero mindset, we stretch ourselves a little further.

## PERFORMANCE

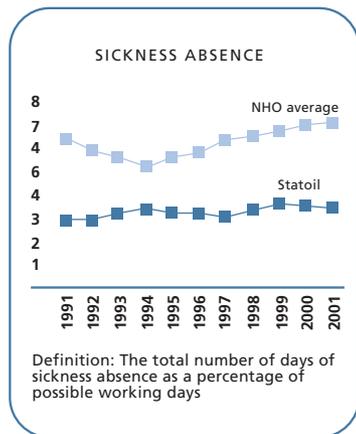
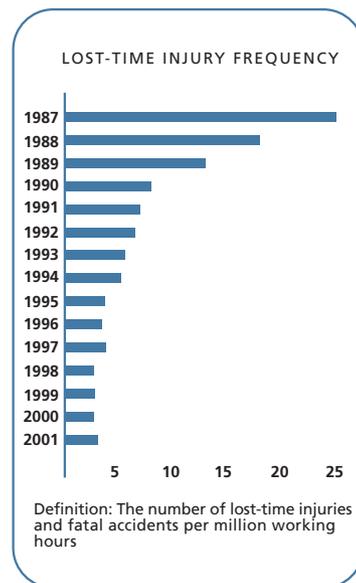
After several years of stagnation, we now see an improvement in our safety results. The number of recordable injuries decreased in 2001, along with the number of serious incidents.

Sickness absence in Statoil is low and declined further in 2001. In Norway, where two-thirds of our employees live, our sickness absence rate compares favourably with the national average, as recorded by the Confederation of Norwegian Business and Industry (NHO).

Some of our installations recorded a particularly notable safety performance in 2001:

- Statfjord A – our oldest production platform on the NCS – managed to reach zero by operating for a whole year with no recordable injuries.
- The Tjeldbergodden methanol plant in mid-Norway and its main contractor, Reinertsen Orkanger, won the chief executive's HSE prize for 2001 after operating for nearly two years without any lost-time injuries.

At the same time, however, we suffered two fatal accidents last year. The two people who tragically lost their lives were both working for Statoil contractors.

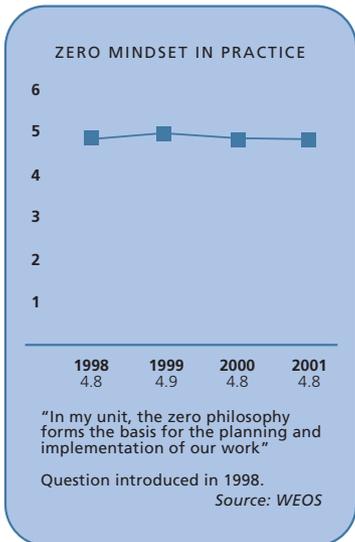
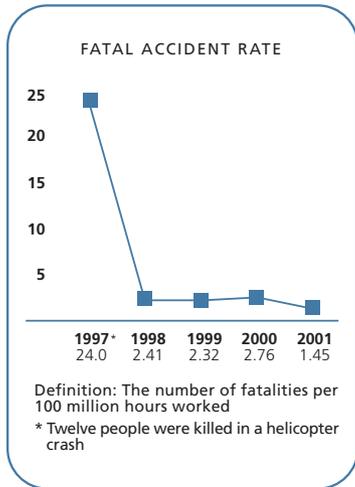


We annually spend in excess of NOK 200 million, or more than NOK 12 000 per employee, on HSE training with the aim of building awareness and expertise. Training is a question both of mindset and skill-set.

An important new measure for improving safety is the “open safety dialogue” conducted between an employee and their supervisor at the work site. The purpose of this discussion is to obtain an honest assessment of any potential hazards in connection with the job. The open safety dialogue approach has been developed and is being used by our Exploration & Production Norway business area.

### TARGETS

- Zero harm to people, zero accidents or losses.
- We seek to improve on our performance continuously. Our goal is that safety will be better this year, even better next year, and so forth for every subsequent year.



### SUPPORTING FORMER DIVERS

We decided in 2001 to provide financial support to former divers whose health had been damaged as a result of their work in the pioneering years on the NCS. Many of them have since lived in difficult circumstances, both financially and socially.

Although these divers were generally not directly employed by us, we decided to

assume partial responsibility for their plight.

Divers were given the opportunity to apply for financial support to a specially appointed Statoil board. Seventy-six applicants, including five widows, have received full support, amounting to NOK 750 000 each. Eighteen applications were turned down.

### Labour standards

A commitment to core labour standards promotes dialogue and cooperation between employees and employers. This helps to create a stable business environment and to secure a company’s licence to operate.

### CHALLENGES

We need to make sure that our commitment to high labour and social standards is not diluted as we expand our operations abroad and move into some countries where labour rights are violated and social standards are low.

In order to secure our licence to operate, we should be prepared to counter the erroneous impression created by some anti-globalisation activists that we – by expanding our operations in the developing world – are participating in a race to the bottom over labour and social standards.

## POLICIES

Statoil is committed to a set of core labour standards which we believe should be universally applied, regardless of a country's level of development: freedom of association and collective bargaining, freedom from forced labour, elimination of child labour and freedom from discrimination in employment.

These standards are what the International Labour Organisation (ILO) calls "fundamental human rights of workers". They are included in the Global Compact, launched on the initiative of UN secretary-general Kofi Annan to forge a partnership for development with international business. Statoil has endorsed the Global Compact.

Our policy on human resource management states that our reward systems should be fair. Issues of pay and remuneration are determined in accordance with local conditions. There are no globally agreed standards. How could it be otherwise? The concept of a liveable, fair or competitive wage is a relative one. It only makes sense in the context of national or local labour markets, social legislation and costs of living.

## PERFORMANCE

Freedom of association is not guaranteed in all the countries where Statoil is present. Neither is the right to collective bargaining. We have nevertheless seen to it that all our employees have a voice in the workplace, whether through councils, committees or general assemblies. We believe this helps instil a sense of trust and belonging.

In Norway, 75 per cent of our employees are unionised. Five different trade unions are involved in annual pay negotiations. Three directors are union officials elected by and among our workforce. The voice of employees is also heard through a system of works

**WE HAVE SEEN TO  
IT THAT ALL OUR  
EMPLOYEES HAVE  
A VOICE IN THE  
WORKPLACE**



Chief executive Olav Fjell meets the workforce on the Statfjord B platform in the North Sea.

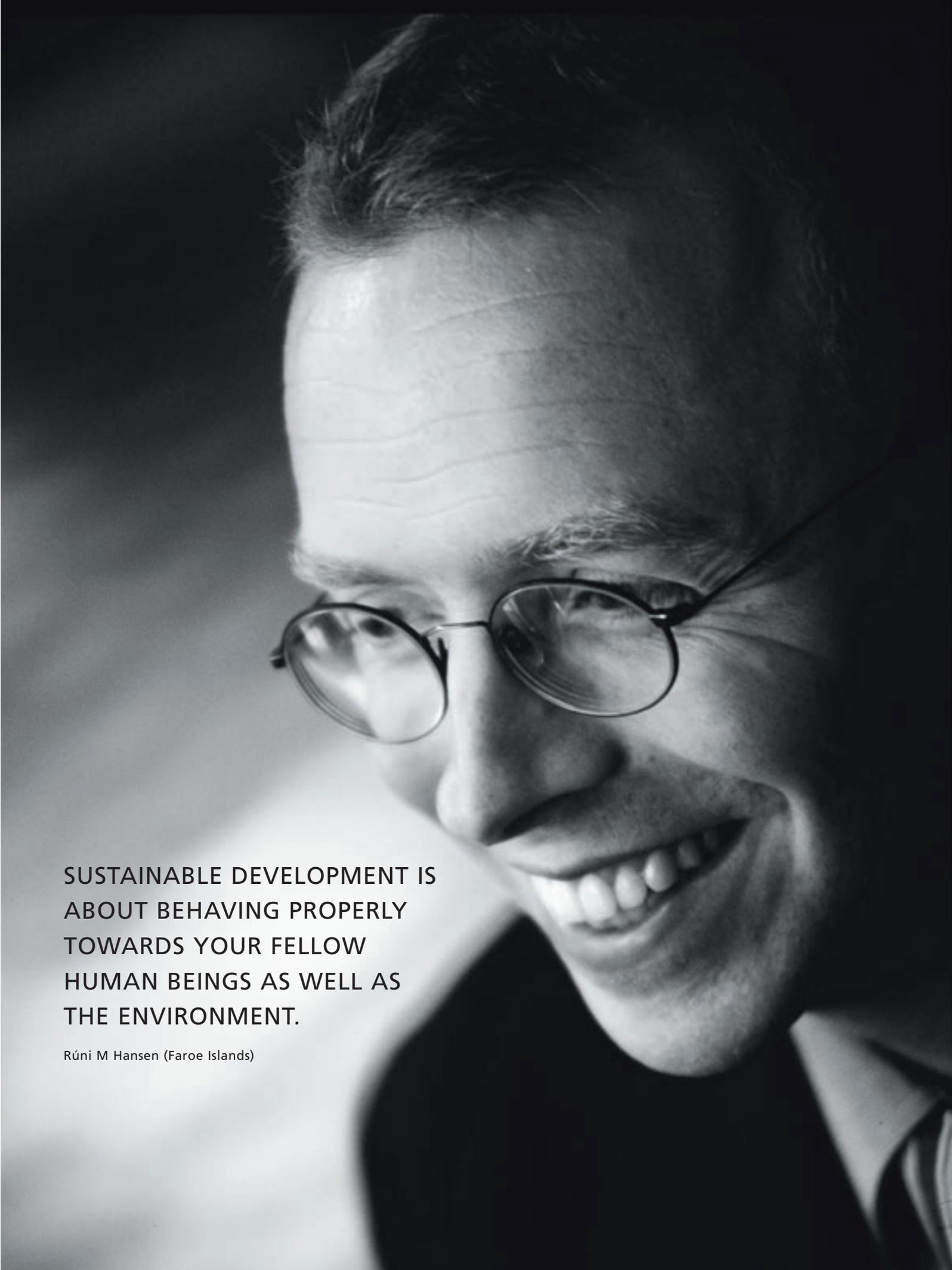
### THE STATOIL WAY – IN CHINA

To strengthen the voice of our employees and contracted personnel in the operation of the Lufeng field off China, we adopted best practice from Norway:

A working environment council has been estab-

lished, and performance evaluation and planning (PEP) discussions are held with all staff.

We also participate in a dialogue on employment issues with other international oil companies operating in China's Pearl River Delta.

A black and white close-up portrait of a man with short hair and glasses, smiling warmly. He is wearing a dark suit jacket, a light-colored shirt, and a dark tie. The background is dark and out of focus.

SUSTAINABLE DEVELOPMENT IS  
ABOUT BEHAVING PROPERLY  
TOWARDS YOUR FELLOW  
HUMAN BEINGS AS WELL AS  
THE ENVIRONMENT.

Rúni M Hansen (Faroe Islands)

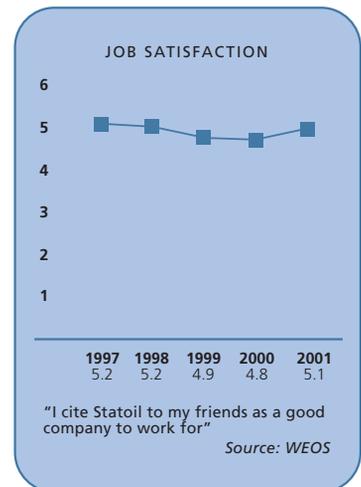
councils (*bedriftsutvalg*) and working environment councils (*arbeidsmiljøutvalg*). The unions and these councils are consulted on issues which affect the working conditions of employees. Grievances and complaints can be brought up in these staff forums.

We have a similar European works council, with members not only from the European Union countries in which we have operations but also from the EU candidate countries Poland, Lithuania, Latvia and Estonia. We established our first transnational staff forum in the petrochemicals sector in the early 1980s.

In addition, a performance evaluation and planning (PEP) discussion is held annually between each employee and their immediate superior. These discussions take place throughout Statoil, primarily for personal development and career planning.

The capital-intensive oil industry generally pays well all over the world. That also applies to Statoil. Our levels of pay are about average for the industry, and never below the national statutory minimum of a country.

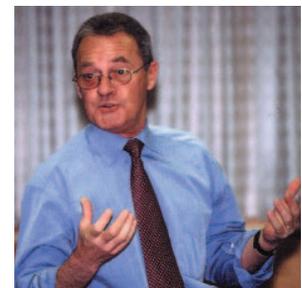
Results from the working environment and organisation survey show that Statoil is considered a good company to work for. We also believe that low personnel turnover in the parent company – 3.84 per cent in 2001 – is an expression of job satisfaction among our employees.



#### THE AGREEMENT WITH ICEM

Statoil also encourages feedback from external stakeholders on issues of labour relations and standards. We accordingly have an information-sharing agreement with the International Federation of Chemical, Energy, Mines and General Workers Unions (ICEM), an international trade union secretariat with 20 million members in 110 countries.

The agreement with ICEM was first signed in 1998 and renewed in 2001, when it was adapted to the principles of the Global Compact. It aims to create an open channel of communication between ICEM and Statoil management on industrial relations issues, so that we can continuously develop good working practices in our worldwide operations.



ICEM head Fred Higgs says preventing human rights violations is a primary concern.

#### TARGETS

- We will continue to use the annual working environment and organisation survey to assess our performance in complying with corporate human resources policy in this area.
- A commitment to core labour standards, and the challenges we face in that respect, will be covered in assurance letters.

## Knowledge and skills

Our ambition is to recruit, retain and motivate the most talented and dedicated workforce possible. The extent to which we succeed will in large measure also determine the success of the company.

### CHALLENGES

Today, we produce seven per cent of our oil and gas outside Norway. Plans call for this proportion to reach 40 per cent by 2012. We are set for a major and rapid expansion of our international upstream operations.

This means that we will have to replenish our human capital base. We need to develop the expertise and skills of the people we already have, and we need to recruit new talent. We need more personnel who combine a global outlook with a deep knowledge of local conditions.

### POLICIES

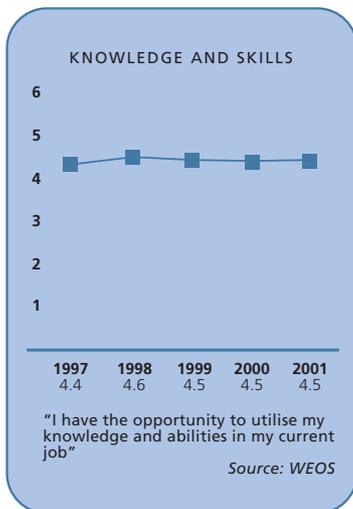
We are committed to giving all employees the opportunity to develop their expertise and skills in accordance with our business needs and their potential.

We offer a whole range of internal and external training courses and programmes covering important aspects of our business. However, the focus in our day-to-day operations is not so much on formal training as on work tasks. We develop most of our expertise through challenging assignments.

### PERFORMANCE

Through extensive research and development in close cooperation with partners and contractors over 30 years, Statoil has provided competitive solutions to some of the greatest technological challenges on the NCS. Crossing the deepwater Norwegian Trench with the Statpipe gas trunkline is only one case in point.

Cooperation agreements with universities on research and training have been an important element in our skills development strategy for many years. As we see it, well-defined projects in which joint teams work on specific challenges are the key to mutually beneficial learning. These agreements have also given Statoil an edge in attracting talented students to the company.



### SUPPORTING UNIVERSITIES IN NORWAY

Statoil provides seven Norwegian higher education institutions with a total of NOK 35 million annually for research and development projects which benefit both recipients and company. A substantial share of these funds is earmarked for modernising teaching methods and tools.

The seven institutions are the Norwegian University of Science and Technology (NTNU) in Trondheim, the Universities of Bergen, Oslo and Tromsø, the Norwegian School of Economics and Business Administration (NHH) in Bergen, the Norwegian School of Management (BI) in Oslo and Stavanger University College.

Statoil devotes NOK 800 million per year to measures for enhancing expertise. That figure has remained about the same for several years. However, we believe we are getting more value for money – or more training per krone – these days, partly because of the efficiency gains associated with web-based or e-learning.

### TARGETS

- Review which expertise we need to retain and develop in-house and which can be sourced externally.
- Encourage our employees to take responsibility for their own life-long learning in order to ensure employment as well as employability.

### IT STEPS 1 AND 2.

The first IT step was taken in 1997. We were the first company in Norway to offer all employees a home PC and an internet connection provided they undertook to complete an IT training programme in their spare time. Roughly 14 500 employees in 28 countries accepted the offer. IT step 1 improved the computing skills of our employees.

IT step 2 is being taken in 2002. This programme represents an upgrade, and will include new PCs with sufficient capacity to facilitate e-learning and flexible modes of working. Employees must again undertake to complete a training programme. However, the focus this time is not exclusively on IT. One training module will aim to increase awareness among our employees about HSE, CSR and business ethics.



Staff engineer Helge Joa and his family chose to sign up for the IT step.

## Diversity

“A diverse organisation will out-think and out-perform a homogeneous organisation every single time,” says Alan Lafley, chief executive of Procter & Gamble. Statoil concurs.

### CHALLENGES

The typical Statoil employee is a 43-year old male engineer from Norway. Promoting diversity means increasing the spread of our workforce in terms of age, gender, education, nationality, ethnicity, religion and culture.

Globalisation has helped us to gain access to new opportunities. To capitalise on these opportunities, we need to draw from a more diverse pool of talent when recruiting to the company.

### POLICIES

We want diversity in age, gender and cultural background. We recognise the opportunities for innovation, creativity and insight which lie in bringing together people with different backgrounds in our company. We believe greater diversity will help us thrive in a business environment which is increasingly complex and global.

### PERFORMANCE

We have strengthened our position as a preferred employer among students of business and engineering at Norwegian universities. A positive interest in Statoil was also evident when our trainee programme was launched last year.

We have adopted measures to recruit, retain and promote women. We offer solutions which balance work and life, such as opportunities for flexible and part-time working, liberal maternity and paternity leave, and day-care facilities.

Where gender equality is concerned, we set a target of 20 per cent women in managerial positions at all levels of the company by 2000. We are content that systematic efforts have given concrete results – especially among our younger employees. As illustrated by the table opposite, however, our target has not yet been reached. We currently stand at 15 per cent overall.



The typical Statoil employee?  
Steinar Strøm, a 43-year-old male  
engineer from Norway.

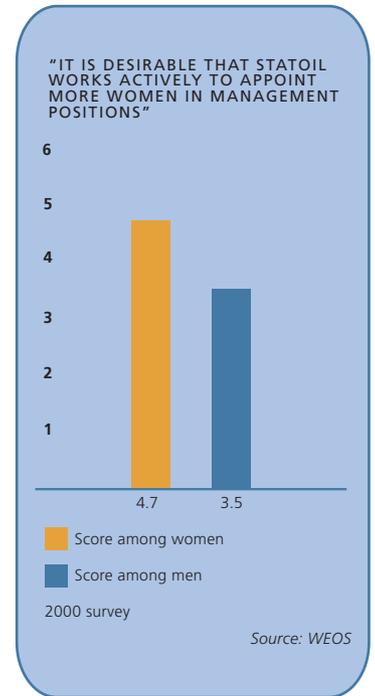
## WOMEN IN STATOIL IN 2001

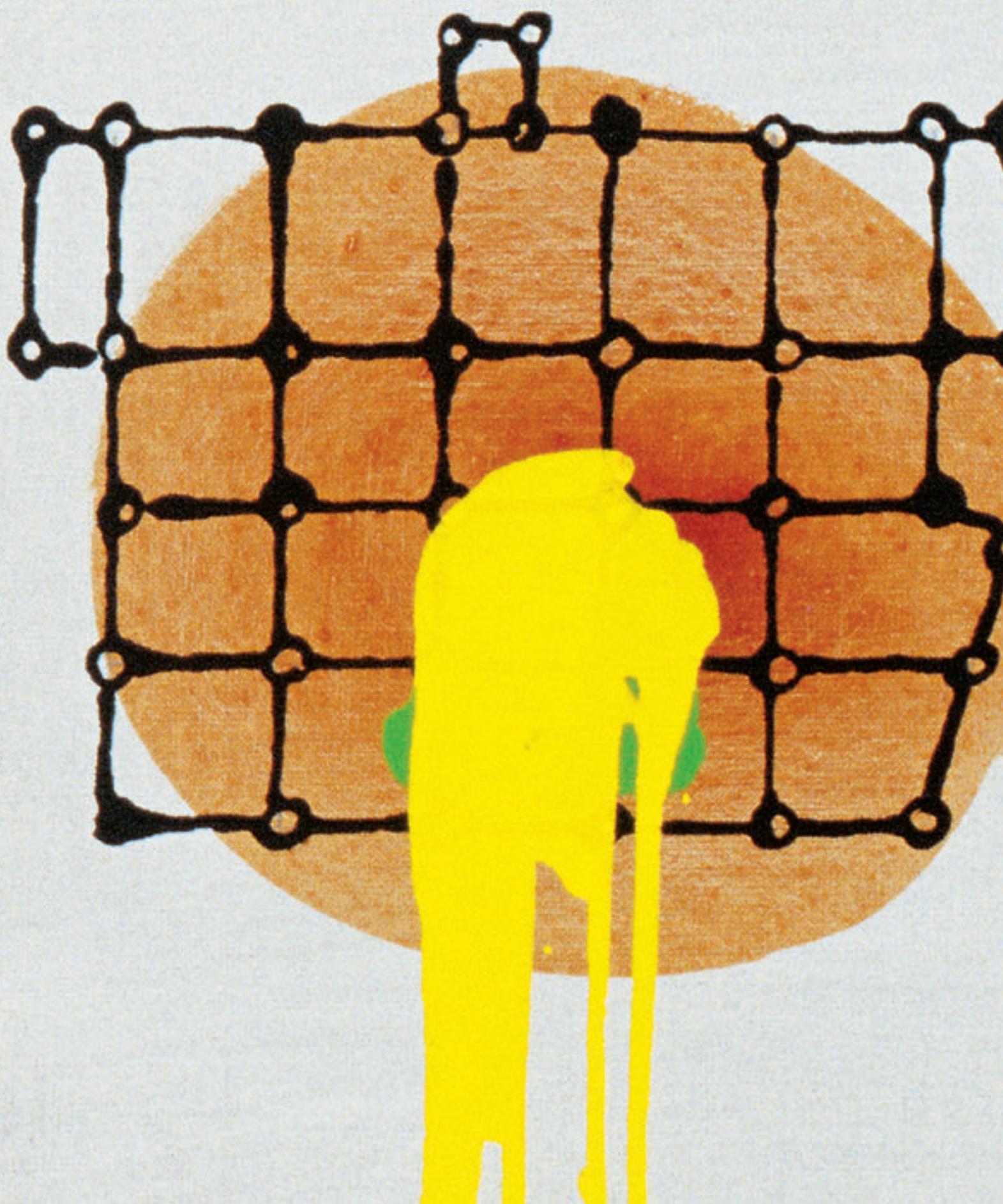
Women in the total workforce	27%
Women in managerial positions	15%
Women in managerial positions (below the age of 45)	27%
Women in managerial positions (above the age of 45)	7.5%
Women among recruited apprentices in 2001	35%

Why have we not reached 20 per cent? Figures from the working environment and organisation survey appear to indicate a lack of commitment to this target. For that reason, the different business units have been challenged to strengthen their efforts to promote women.

### TARGETS

- Increase the proportion of women in managerial and senior specialist positions to 20 per cent.
- Increase the proportion of local staff in managerial positions in our international operations.
- Ensure that our workforce reflects the increased ethnic and cultural diversity of Norwegian society.





# AFFECTING THE WORLD AROUND US

*Tor Inge Kveum (b 1964): Mind in/Mind out, 1999.  
Acrylic on canvas, 39 x 36 cm x 12 x 2 (detail).  
© Tor Inge Kveum*

*The income we generate for people and society bestows an enormous potential for good. We provide energy which the world needs and without which there would be no development. It is hard to imagine any industry or sector which does not depend in one way or another on oil or gas products, or their derivatives, for fuel, transport and raw materials.*

*Equally, the income we generate bestows immense temptations for abuse. Unfortunately, not all the economic and social impacts of oil and gas are favourable. Some nations, regions and communities have not benefited as they should or could have done from the development of their oil and gas reserves. This is sometimes referred to as the “paradox of plenty”, when the potential benefits of oil riches are squandered through inefficient investments, government waste and corruption.*

*This is the backdrop to our discussion of Statoil’s economic and social impact. In this section, we also discuss our environmental footprint, how we manage and mitigate environmental risks such as soil, air and water pollution – including impacts on global warming, fragile ecosystems and biodiversity.*

## Economic impact

The economic impact of our activities is often assumed to be the same as our financial performance. But there are significant differences. Finance concerns the market valuation of transactions which pass through a company’s books. Economics, on the other hand, is the means by which society uses human and natural resources in the pursuit of human welfare. As such, economics extends beyond the boundaries of a single company and is inextricably linked to both environmental and social elements of sustainable development.

### CHALLENGES

We believe that, by running our business as profitably and efficiently as possible, we can help give people in our *host communities* a better life. Our main contribution is measured in terms of value creation. This is the impact of our investments on employment, procurement of goods and services, transfer of technology and expertise, and tax revenues. These spin-offs have multiplier effects, all of which help to generate local growth and development.

We also believe that we can make a positive difference to our *host countries*, largely through indirect effects. The extent to which we actually make a contribution at the

macro level, however, will depend on factors beyond our control: issues of transparency, accountability and good governance.

How, then, do we assess or account for our economic impact on host communities and countries? How do we substantiate our “force for good” arguments?

**POLICIES**

We are committed to delivering what we promise to shareholders, customers, partners and suppliers. This means that we will create value, develop expertise and transfer experience wherever we operate.

**PERFORMANCE**

Our financial performance is described in detail in the annual report and accounts (see our performance at a glance on page 5 and the table on page 44). In 2001, we delivered the best financial results in our history. Total revenues exceeded the GDP of some of our host countries.

We had 16 686 employees at 31 December 2001. According to the ILO, “each job in production or refining generates from one to four indirect jobs in industries which supply the needed inputs and which benefit from the value added by oil/gas activities. In the sense that the overall economy requires suitable and reliable energy supplies, the employment effect of these sectors is even greater and extends throughout the economy.”

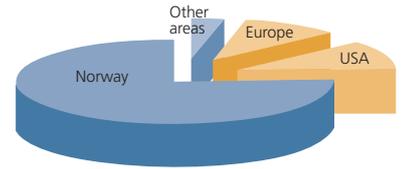
We devoted NOK 633 million to research and development in 2001. In addition to the technological progress made through field development projects, a large part of our research effort is performed at our R&D centre in Trondheim.

Last year, we paid NOK 33 billion in income taxes to the Norwegian state.

But these statistics – and many others – do not in themselves determine whether Statoil, through its economic impact, is a force for economic, social and environmental advancement.

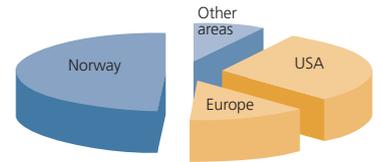
To give but one example: We do not become a more socially responsible company simply because we pay taxes. It is governments which exercise the social responsibility of determining how tax revenues are spent.

REVENUES BY GEOGRAPHIC AREAS



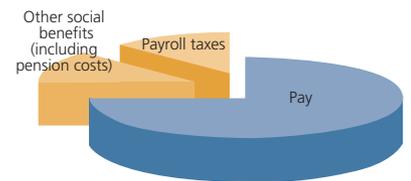
2001  
Total: NOK 235 897 million

VALUE OF CUMULATIVE INVESTMENTS BY GEOGRAPHIC AREAS



2001  
Total: NOK 150 444 million

VALUE CREATION FOR EMPLOYEES



Total payroll costs for Statoil ASA employees in 2001: NOK 7 790 million.

## PERFORMANCE INDICATORS

	Achieved 2001	Target 2004
RoACE* (at USD 16/boe, 2000)	10.3%	12%
Production (mboepd)**	1 007	1 120
Reserve replacement rate	0.68	>1
Finding and development costs (USD/bbl)***	9.1	<6.0
Production cost (USD/bbl)	2.9	<2.8
Net debt to capital employed	39%	40-45%
Dividend (% of adjusted net earnings)	41	45-50

\*Return on average capital employed after tax

\*\*1 000 barrels of oil equivalent per day

\*\*\*Three-year average

Given the complex nature of the relationship between company, economy and society, we have solicited input from the Econ Centre for Economic Analysis. In the essay that follows, Econ discusses Statoil's socio-economic impact on Norway.

Statoil has worked closely with Econ for many years. We financed the research that went into its contribution to this report.

# STATOIL'S ECONOMIC IMPACT ON NORWAY

## WILL IT APPLY ELSEWHERE?

Econ has been invited to consider the combined economic impact of Statoil's activities on Norway. This is not a reflection along the three bottom lines: economic, social and environmental. Our perspective has been to consider the following five dimensions along which the company has had an economic impact:

- contributing through taxes and dividends to the general Norwegian redistribution system during an unprecedented period of growth in income and welfare
- playing a leading role in shaping an entire industry cluster with broad multiplier effects and spin-offs
- demanding and providing technological innovation
- shaping a new brand of human capital
- providing new activities for local communities.

Finally, we ask whether Statoil's economic impact is exportable. The question is whether Statoil would make a similar impact in a society under a different sun.

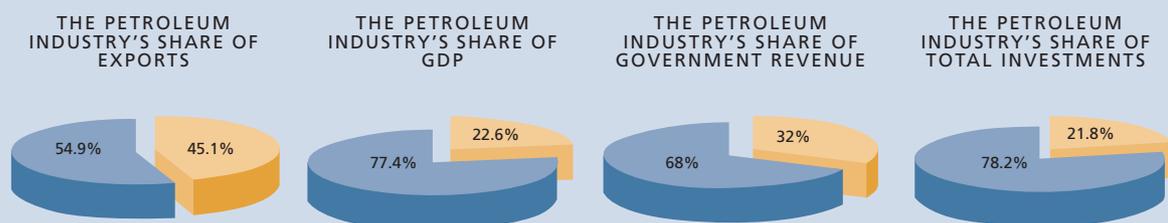


Figure 1: The petroleum industry's significance for the Norwegian economy

Source: Ministry of Petroleum and Energy, 2001

### FILTERING DOWN

Statoil has made an economic impact through its direct financial injection into the Norwegian redistribution system. Revenues from the company have filtered into Norwegian society through both central and local government budgets.

The history of Statoil runs hand in hand with Norway's as an emerging energy nation. These years have shaped an infant petroleum industry along with an infant petroleum nation and a regulatory system.

As Statoil enters its fourth decade, it finds itself inside an energy cluster which has acquired a dominant position in the Norwegian economy, as the figures above illustrate.

Statoil accounts for a significant share of the petroleum industry's contribution, as figure 2 indicates.

The key question then is whether revenues and spin-offs from the petroleum industry, in which Statoil plays a lead role, are filtering down or trickling away.

By any international measure, Norway has experienced a filtering down effect. Its infant petroleum industry, combining extensive participation from multinational oil companies with the nurturing of a national industry, developed inside a structured regulatory regime and an effective and transparent political and bureaucratic system.

### A LEAD ROLE DURING THE GOLDEN YEARS

Most west European countries have labelled the first three decades after the Second World War as glorious years for economic and social development. Norway's real leap forward came between 1980 and 2000. Whereas the country's GDP per capita was below the OECD average in 1970, it was second to few by 2000. Revenues from the oil sector have helped finance a major rise in welfare services funded by the state, without a corresponding rise in general taxation.

As a consequence, the average Norwegian was 60 per cent richer in economic terms in 2000 than in 1980. This rise has taken place without much change in the difference between rich and poor. The nation's egalitarian tradition has proved remarkably robust.

Operating with a marginal tax rate of 78 per cent, Statoil delivered USD 5.9 billion in combined taxes and USD 6.2 billion in dividends in 2001. The company and the rest of Norway's energy cluster have undoubtedly made an economic impact on the income and welfare of the average Norwegian.

### TOWARDS A PARADOX OF PLENTY?

A special feature of nearly three decades of Norwegian petroleum operations was the creation of the Government Petroleum Fund in 1990. The fund mechanism provides an illustration of how the political and regulatory systems have been able to devise long-term

## STATOIL'S CONTRIBUTION TO NORWEGIAN EXPORTS

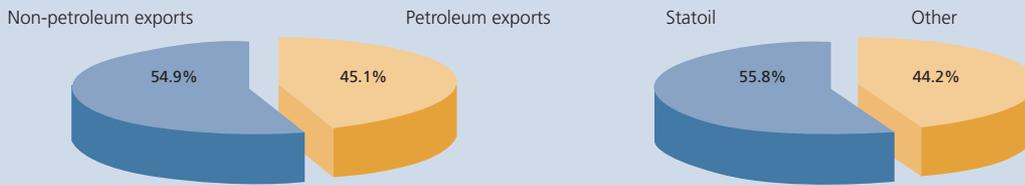


Figure 2: Statoil's contribution to Norwegian exports

Sources: Ministry of Petroleum and Energy, White Paper no 2 (Revised national planning budget 2002) and Statoil.

solutions to the management of Norway's oil and gas resources. At the same time, and in a very visible way, the fund has opened the eyes of many to the availability – and seeming accessibility – of large financial resources.

Here lies the aspiring Norwegian version of the paradox of plenty. Statoil's operations have yielded profits beyond normal returns on invested capital. Such luxury may turn into vulnerability if continued super profits are assumed to be stable and taken for granted. Neither of these assumptions applies to oil and gas revenues.

Large revenues accruing to government budgets may lead to decreasing pressure on society's motivation and ability to innovate. Although the petroleum sector is open to competition, the large presence of Statoil and the very national setting of its operations may create a big semi-protected sector. Over time, this puts strains on alternative industries.

Historians and economists are discussing whether Norway runs the danger of catching the "Dutch disease". Some claim that it has already taken hold. The constant danger is that Norwegians will become accustomed to a position in which they can expect more for less. A fall in general productivity by only a quarter of one per cent would reduce national revenues more than the return on the entire petroleum fund.

### SHAPING INDUSTRY – LOCKING IT IN?

Since the 1970s, most OECD countries have struggled

with the challenges posed by *sunset industries*. However, Norway has been busy channelling in a *sunrise industry*.

The multiplier effects of the petroleum industry have been many. No other country with a large exploration potential offers a similar example of shaping an entire modern industrial cluster in only three decades. Step by step, a national industry has been built up alongside intensive exploration involving multinational companies. Norway's energy cluster is comprehensive, ranging from R&D, laws and regulatory systems to the establishment of oil and gas companies and a large contracting industry. Stavanger has gradually become the centre of a cluster matched only by Houston and Aberdeen. And Statoil has been the prime vehicle for this transformation process.

### TOO HEAVY FOR A SAFE SUCCESSION?

According to the petroleum industry itself, nearly half of all Norwegian industrial operations are petroleum-related in one way or the other. In 1997, petroleum companies spent more than USD 7 billion on a variety of production facilities and services, of which USD 2 billion was devoted to imports. This has had important multiplier effects on the Norwegian economy and the string of related goods and services produced to serve the oil and gas industry.

Statoil has been shaping industry in Norway, but has it been locking it in at the same time? The petroleum sector may have curbed innovation and renewal in

other sectors of Norwegian mainland industry. Is the weight of Statoil and the whole energy cluster limiting renewal and structural adjustment in the country's remaining mainland industries? Is Norway able to nurture new growth sectors ready to take up the baton the day the sun starts to set on the petroleum industry?

### **TECHNOLOGICAL FRONTRUNNER – BUT FOR HOW LONG?**

OECD statistics place Norway in the lower end of the league table for total spending on R&D. Whereas the public-sector share of R&D is around average, spending by the private sector is close to the bottom.

Norway's economy is dominated by exploitation of its rich raw materials, including fisheries, hydropower, forest products and oil and gas. These may all be low on R&D intensity compared to other industries. Had it not been for the activities of Statoil and the petroleum sector, however, Norway would have been placed even lower in the table. In a wider perspective, Statoil can rather be described as a leading branch of the information technology industry.

### **DRILLING DEEPER, BROADER AND SMARTER**

The depths and harsh weather of northern waters, coupled with stringent environmental regulations, literally compelled Statoil to become a technological frontrunner. The way to commercial success has been through drilling deeper, broader and smarter. Whereas expected recovery from an oil field in the 1970s would be around 20 per cent, technology had driven that figure up to 70 per cent by the turn of the century. Today, profits can be reaped from NCS operations at oil prices unheard of 20 years ago.

This is a story of constant technological innovation to cope with what were seen as the most complex waters on Earth. That in turn has impacted on a broader industrial and technological environment. Statoil has been a major contractor of R&D services and activities at Norwegian universities and research centres. The growth of a sophisticated supplies industry has followed.

But how durable will the impact be on the Norwegian economy? In a global market, the location of a company cannot be taken for granted. As Norway's economy runs at full capacity and as the demand for welfare dividends keeps rising, with high interest rates and a strong currency as consequences, there are already signs that the country is losing hold of new industries.

### **EXPANSION OF HUMAN CAPITAL**

The petroleum sector is not labour-intensive. Around 1999-2000, the industry in Norway employed a total of 70 000 people (of which Statoil's share was about 11 000), or three per cent of the workforce. To this must be added a number of people employed more indirectly through related industries and services.

The public image of the Statoil employee in Norway has been a driller on deck in rough weather. But the company's impact as an employer is broader.

### **TOO STRONG A MAGNET?**

Technology has driven the expansion of economic activity and human capital. In Finland and Sweden, the lead position of companies such as Nokia and Ericsson has attracted new generations of engineers, designers, marketers and salespersons. Statoil's demand for skilled staff has had a similar impact in Norway. Its operations have spurred demand for staff with a broad variety of skills linked to the entire petroleum sector – from public management to deepsea drilling, laying of pipelines and trading in the global market.

Engineering in Norway has been transformed by the oil industry. Statoil has contributed to shaping this transformation. Again, however, the size of the company has made it into a very powerful magnet to engineers, limiting availability for other sectors.

### **THE IMPACT OF THE CORNERSTONE INDUSTRY: A BLESSING OR A CURSE?**

The Statoil brand is highly visible in the Norwegian landscape through its hundreds of service stations, which can be found in every local community. Gradually, the company has emerged as the key

employer and taxpayer in a number of local communities along the coast of Norway.

The “cornerstone industry” has become a characteristic term in modern Norway, describing the dependence of local communities on one major industrial enterprise. These communities thrived as long as hydropower resources were cheap and abundant. They then became exposed as operations declined and prosperous dependency turned into vulnerability.

### **MIXED BLESSINGS OF DEPENDENCY**

Although the NCS is said to be mature and will eventually go into decline, local communities have been welcoming Statoil as an investor and provider of jobs and income.

But attracting a major company like Statoil can also put strains on a local community. It adds revenues to local budgets, but makes demands at the same time on public services. It offers new jobs, but may at the same time vacuum the labour market clean of people with special skills.

In the mature stages of its operations, the presence of a single dominant industry in a local community can create yet more vulnerability once the lead company decides to scale down or go away.

### **EXPORTABLE IMPACT?**

When considering the impact Statoil has had on Norway, the impact Norway has had on Statoil needs to be borne in mind. More than most other international petroleum companies, Statoil has been raised and shaped in a uniquely national setting with distinct characteristics – such as the world’s strictest environmental legislation, most influential labour unions, and highest level of corporate taxation. Statoil grew until the present day with a single owner – the Norwegian state. It thereby learnt to benefit from, live with and be frustrated by operating in a political environment.

Is a familiar setting needed for Statoil to make a similar impact under a different sun?

### **SHARP CONTRAST**

At first glance, the globalisation challenge contrasts sharply with Statoil’s Norwegian experience and Norway’s petroleum management model. Much of the company’s international portfolio is located in countries in which key conditions underpinning the success of the “Norwegian model” are not in place and in which oil revenues tend to trickle away to corrupt elites rather than filter down to the public at large.

Governments, companies and civil society groups in politically-fragile oil states such as Angola, Nigeria, Azerbaijan and Venezuela may be looking for “Norwegian model” lessons in terms of oil industry and revenue management. Such knowledge-sharing is currently taking place, and Statoil’s experience could prove an asset.

On the other hand, political leaders in these states may be less inclined to spend time implementing management systems such as the one within which Statoil has operated. The company has had a distinct economic impact on Norway during its three decades of operation. In a historical perspective, 30 years is a short period. But it may extend far beyond the planning horizon of political leaders in non-democratic settings. For a variety of reasons, these may be more focused on immediate economic returns and less concerned with the broader economic impact which the oil industry might have over time.

### **PART OF STATOIL’S CORE COMPETENCE?**

In Norwegian debate, Statoil is often accused of dwarfing all the other domestic companies. In international terms, it is dwarfed by the big multinationals.

The question is then whether knowledge of the broader economic impact that Statoil has had on Norway can be turned into a marketing asset as the company enters new markets with different political and commercial cultures. Can making an economic impact beyond direct extraction of oil and gas be considered part of Statoil’s core competence? Or will its broader Norwegian experience be cut down to size in the melting pot of a globalised industrial environment?

A black and white close-up portrait of a woman with short, light-colored hair, looking upwards and to the right. The background is blurred. The text is overlaid on the lower-left portion of the image.

WE SHOULD CONTRIBUTE TO A  
SOUND AND ENDURING ECONOMY  
FOR STATOIL AND THE PEOPLE LIVING  
IN THE COUNTRIES WHERE WE DO  
BUSINESS. Hilde Irene Fløtre (Norway)

## Minimising the environmental footprint

Statoil's major activity is oil and gas exploration, production and transport. Our operations mainly take place off Norway – a habitat for fish, seabirds and marine animals.

These operations generate energy and industry feedstock upon which modern society depends. But they also produce waste, which must be disposed of in a responsible manner. A potential for conflict exists between the oil industry and fisheries operating in the same area. There is also a risk of accidental oil spills. Oil is refined into petrol and diesel oil, which release harmful gases to the air. Natural gas is used in industry and private households, which again leads to emissions.

Put briefly, although our industry has improved its environmental performance significantly over the past few decades, we cannot deny that we are a part of an industry which produces polluting products in a polluting way.

Our overarching challenge is how to minimise the negative impact of our operations and products on the environment and society.

### POLICY

- Zero harm to people or the environment.
- We will contribute to sustainable development.

These two statements form the cornerstone of Statoil's environmental policy. They imply that environmental impacts are assessed and integrated into business strategies as well as project and risk management systems.

## The impact of our production

### CHALLENGES

Further expansion on the NCS and internationally may lead to operations in sensitive areas.

The Barents Sea is an example of such an area. It has rich resources of fish, seabirds and marine animals. Because of this and the rough climatic conditions, its ecosystem is generally regarded as sensitive.

### PERFORMANCE

From the very beginning, our operations have coexisted with Norway's rich coastal fish-

FROM THE VERY  
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eries. Before anyone was allowed to start drilling for oil off the coast, the Norwegian authorities made it very clear that these activities were not to harm either fisheries or marine life in general.

**Environmental impact assessment.** We have no pre-defined areas in which we will not operate. However, we will refrain from pursuing a development option unless we are satisfied that our environmental standards are met.

As we see it, the key to avoiding environmental harm is to carry out an extensive environmental impact assessment prior to developing any oil and gas reserves, and to use the results in selecting development concepts and technical solutions.

The impact assessment is part of the plan for development and operation of each field. It describes the effects of the development on the natural environment and local communities.

In Norway, such a plan is required by law. It must be submitted to the Ministry of Petroleum and Energy, which then decides whether or not a field may be developed.

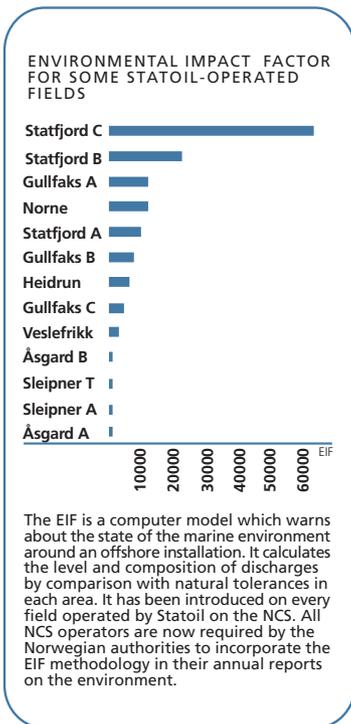
A series of consultations and meetings are held with the affected parties to reach solutions which will protect all interests and requirements in the best possible way.

Statoil has developed a new system – the environmental impact factor (EIF) – for quantifying environmental risk. This approach allows us to calculate, monitor and compare discharges to the sea from offshore fields. That lets us optimise environmental solutions for individual fields and projects.

As a result of the EIF and other systematic environmental work, harmful discharges to the sea from Statoil fields will be reduced dramatically in the years ahead.

The Snøhvit field in the Barents Sea and Kristin in the Norwegian Sea represent a new generation of oil and gas developments which apply efficient environmental solutions based on the EIF system. Snøhvit will produce in a completely closed system, with zero harmful discharges to the sea. A closed industrial plant on land will clean effluents before they are discharged to the sea.

**Discharges to the sea.** Statoil has worked systematically to reduce the environmental load from discharges to the sea by phasing out possibly harmful chemicals. Since 1997, we have reduced annual discharges of environmentally-questionable chemicals by more than 80 per cent – from almost 2 000 tonnes in 1997 to around 350 in 2001.



After several years with increases in oil spills from our operations, their number has been declining steadily since 1997. We experienced 414 spills in 2001, down from 431 the year before. But their volume more than doubled from 120 cubic metres in 2000 to 246 in 2001.

We transport about 3 000 oil cargoes by sea every year. All the vessels involved must undergo a vetting and approval procedure. A very large number of tanker inspections are carried out, and 20 ships were rejected as unacceptable during 2001.

We shipped about 108 million tonnes of hydrocarbons by tanker from fields, terminals and refineries to customers worldwide in 2001. The bulk of these shipments are handled by our Navion subsidiary. The tankers involved must comply with our safety standards, which exceed national and international requirements. These norms were tightened in 2001, both for the age of vessels and by making it mandatory for ships carrying heavy fuel oil to have a double bottom or hull. Tanker operations in 2001 suffered no significant oil or chemical spills.

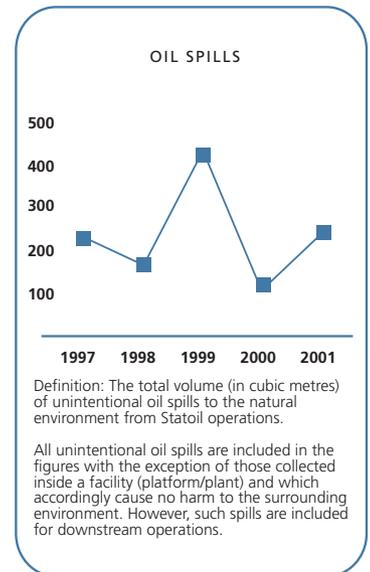
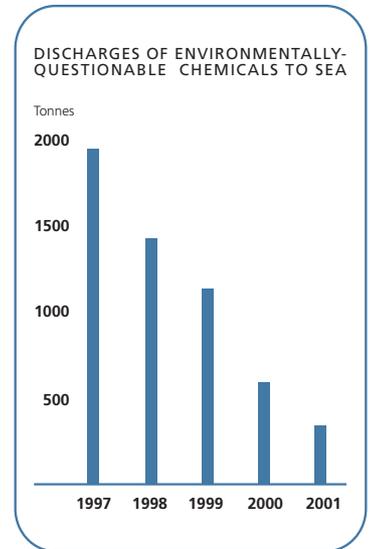
**VOCs.** We have also made an effort to reduce our emissions of volatile organic compounds (VOCs), a mixture of propane, butane and several other gases given off through vaporisation of crude oil and refined products such as petrol.

A total of 200 000 tonnes of VOCs are emitted annually during offshore loading from Norwegian fields, accounting for 58 per cent of the country's total emissions of these compounds.

We have installed new VOC recovery plants on our Norne and Åsgard A production ships in the Norwegian Sea. Both vessels can accordingly produce and store oil without such emissions. Two of the shuttle tankers lifting cargoes from Statoil fields also have VOC recovery plants, and facilities are under construction for two more vessels.

**Nitrogen oxides** represent another hazardous air pollutant. Statoil's annual emissions totalled 29 500 tonnes in 2001. As part of our search for new methods of achieving cost-efficient reductions in nitrogen oxide emissions, we will replace diesel with liquefied natural gas (LNG) for fuelling two new supply ships coming into service on the NCS in 2003. This will enable us to cut nitrogen oxide emissions from these vessels by 85 per cent.

**Working with stakeholders.** Statoil maintains an open relationship with environmental organisations. We established an environmental forum in Norway in 1998, where the chief executive regularly meets environmental and consumer organisations to discuss important issues in this area.



Statoil is participating in a biodiversity cooperation between oil companies and non-governmental organisations. This energy and biodiversity initiative (EBI) aims to develop and promote best practice for integrating biodiversity conservation into oil and gas development. Work has been under way since early 2001, and a final report is due to be delivered in early 2003. We will act on this report, and implement the measures needed to preserve biodiversity.

#### TARGETS

- Zero harmful discharges to the sea from 2005.
- The Norwegian authorities have set an initial requirement that 40 per cent of offshore loading and storage operations must be free of VOC emissions by 31 December 2003. We are on target to meet this requirement. By 2005, 95 per cent of offshore-loaded oil must be subject to VOC recovery. All shuttle tankers serving Norwegian fields must have installed VOC recovery plants by the end of that year.



An artificially-created biotope near Emden has become a special conservation area.

#### EUROPIPE

An oasis for rare plants and birds is one consequence of the obligations accepted by Statoil when we brought the Europipe I gas trunkline ashore in northern Germany.

This pipeline had to cross the ecologically-sensitive coastal wetlands of the Wattenmeer national park. To compensate for the environmental intrusion, the German authorities required us to implement several projects – including the creation of an artificial biotope.

The result covers a 17-hectare site at Rysumer Nacken, behind the Europipe I metering station in Emden. It received 40 000 tonnes of sand and mud in 1994 from dredging operations in the Wattenmeer.

Two large pools and roughly 100 smaller ponds were created, while sand dunes two-three metres high provide a rolling terrain.

Together with the local Ökowerk ecological board, a project was initiated to survey plants, animals and insects in this biotope. A

group of biologists and ornithologists from the board and some biology students have documented these developments:

- 150 new plants have been identified, including 12 from species threatened with extinction
- A rare alga not seen in Lower Saxony since 1897 has been discovered. This attracted nationwide attention in Germany.
- More than 40 different species of nesting and migratory birds have visited the biotope since its creation
- More than 20 different species of dragonfly have been identified, including five which are very rare
- Three different species of frog inhabit the ponds, while rabbits, deer and foxes live among the sand dunes and grasslands

The biotope was given official status as a special conservation area by the Lower Saxony environmental authorities in December 1996.

## Climate change

### CHALLENGES

Statoil has accepted the global need for strong action to slow and reverse the impact of human activities on planetary warming. We endorse the Kyoto protocol, which we see as the basis for global cooperation to combat climate change.

The Norwegian petroleum industry is among the most energy efficient in the world. According to the International Association of Oil and Gas Producers (OGP), the industry's global average of carbon dioxide emissions is currently about 130 kilograms per unit\* produced. This figure for the NCS is roughly 40 kilograms, according to the NPD. On some of our new developments, emissions are estimated at only 15 kilograms per unit produced.

Our aim is never the less to achieve an annual reduction of 1.5 million tonnes in carbon dioxide emissions by 2010, compared with the quantity that would have been released if no special measures were taken. This represents a reduction of about 15 per cent.

At the same time, however, our production will increase and the fields we produce from are ageing. As a result, the total volume of carbon dioxide produced is expected to rise from 7.6 to 10 million tonnes over the same period.

We will continue our efforts by adopting technological advances which allow us to produce ever more eco-efficiently, by making use of emission trading mechanisms and by developing less polluting energy solutions.

### PERFORMANCE

**Cutting emissions by improving technology.** Technological improvements have enabled us to reduce emission levels substantially over the years.

On Sleipner West in the North Sea, we have been stripping carbon dioxide from production and storing about a million tonnes of this greenhouse gas underground every year since the field came on stream in 1996.

This method will also be used with our planned Snøhvit development in the Barents Sea, where 700 000 tonnes of carbon dioxide will be sent back to the reservoir annually. However, the land-based liquefaction plant for Snøhvit gas represents a considerable environmental challenge, since it will emit about 800 000 tonnes of carbon dioxide per annum.

*\*standard cubic metre of oil equivalent (scm oe)*

When gas and condensate (light oil) start flowing from Kvitebjørn in the North Sea in 2004, the field will emit an average of roughly 15 kilograms of carbon dioxide per unit produced compared with the NCS average of 40 kilograms.

A number of different measures will be applied to cut emissions in coming years, including removal and underground storage of carbon dioxide from produced gas, energy optimisation, improved efficiency in power generation – including cooperation between platforms – and electricity supply from the land-based grid.

Emission-reduction targets have been established for all our business units. These are included in key performance indicators and are followed up throughout the organisation.

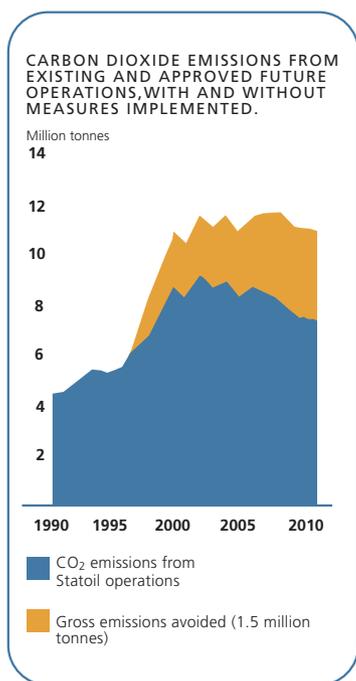
**Emission trading.** Statoil supports trading with credits obtained from reductions in other countries as a way for nations to comply with their obligations under the Kyoto protocol. We also support the implementation of domestic and regional emission trading schemes, provided these increase cost efficiency and do not reduce competitiveness in the industrial sector.

We are currently preparing to take part in emission trading through our participation in the World Bank prototype carbon fund (PCF). Established in April 2000, this buys reductions in greenhouse gas emissions which can be credited under the Kyoto protocol's rules. Investment projects must contribute to sustainable development in the host countries. Companies and nations which have invested in the fund receive a return in the form of emission credits, on the basis of verified emission reductions from such projects. Statoil is one of 17 participating companies.

We see credits obtained under the rules of the Kyoto protocol as a way of complying with our obligations in Norway or other countries with emission restrictions. We also think that investing in emission reduction projects will contribute to sustainable development in host countries.

**Energy for the future.** We are increasingly becoming a gas producer and supplier. By providing natural gas to continental Europe and the UK, we are enabling these markets to switch from coal and oil to gas. That in turn reduces carbon dioxide emissions from power production in these countries.

Our company is the leading methanol distributor in Europe. Methanol is produced from natural gas. We are involved in testing methanol-based fuel cells as a power source for cars as well as for heating and electricity. A partnership has been created between our-



selves, US-based Northwest Power Systems and Methanex of Canada for two pilot projects, which aim to establish the suitability of fuel-cell solutions for households and industry.

To explore the various options for future energy solutions, a new energy business development unit was established in 2001. Its primary focus is on carbon management and the use of hydrogen as a preferred energy carrier for the future.

**TARGETS**

- Our aim is to achieve an annual emission reduction of 1.5 million tonnes carbon dioxide equivalents by 2010.
- In 2002, we will establish an emission trading unit to provide us with recommendations on possible credits and the market price of allowances.

**STORING CARBON DIOXIDE UNDERGROUND**

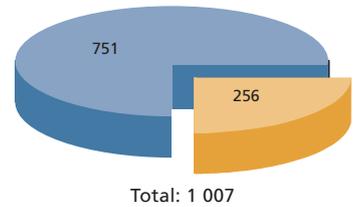


The Statoil-operated Sleipner area in the North Sea is at present the only place in the world where large volumes of carbon dioxide are injected for underground storage. A million tonnes stripped from gas and condensate production is injected every year into a sandstone formation rather than released to the atmosphere.

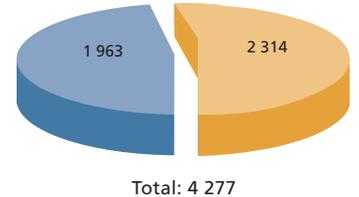
This project has attracted considerable international attention, and forms the basis for an international collaboration project to establish a technology platform for future storage. Forty per cent of the project's financing comes from the EU, which sees underground storage as a very promising solution if experience from Sleipner can be transferred to power stations and other major industrial users of fossil fuels.

Thorough seismic surveys were carried out in 2001 for the second time since storage began in 1996 to chart the effect of storing carbon dioxide 1 000 metres below the seabed. Four-dimensional seismic – three-dimensional seismic repeated over time – is used. These surveys have given no indication that any carbon dioxide will leak out.

**STATOIL'S EQUITY PRODUCTION**  
1 000 boe/day (2001)



**STATOIL'S RESERVE POSITION**  
mill boe/day (2001)



■ Oil  
■ Gas  
boe=barrels of oil equivalent

WE SHOULDN'T COMPROMISE  
OUR STANDARDS WHEN  
WE GO INTO OTHER COUNTRIES,  
BUT WE HAVE TO LEARN TO  
APPLY THEM TO DIFFERENT  
SITUATIONS. Jane Nagy (USA)



## Product stewardship

### CHALLENGES

Statoil produces, markets and sells a wide range of products, such as crude oil, natural gas, engine fuels, heating oil, wood pellets, central heating, methanol, bio-protein, chemicals, lubricants and electricity.

Product stewardship is a “product-centred” approach to environmental protection. It denotes a management process designed to ensure that health, safety and environmental protection are integral to the design, manufacture, marketing, distribution, use, recycling and disposal of products and associated wastes.

We aim to develop oil and gas products which are effective and meet consumer needs. At the same time, our products must be designed to minimise both resource requirements and discharges/emissions to the environment.

Producing petroleum products generates discharges and emissions, and uses energy. But it is often the case that the “cleaner” the fuel, the more energy it takes to produce it.

Our fuel products generate emissions which may have a negative impact on human health and the environment. Minimising this impact represents a continuous challenge. The amount of control we can exercise over the value chain of our various products varies.

Properties of fuel and heating oils are uniform within the industry, since the various brands must be interchangeable. Quality and property specifications are therefore defined by standardisation bodies and legal authorities.

To us, product stewardship means acquiring systematic knowledge about the production, use and disposal of our products, and taking responsibility for their impact on human health and the natural environment.

New knowledge is constantly being gained about the impact of our products, while innovative engine and exhaust technologies emerge steadily. Our position on product qualities must develop accordingly.

### PERFORMANCE

**Safeguarding the manufacturing process.** Our two refineries – at Mongstad in Norway and Kalundborg in Denmark – are subject to specific limits for discharges/emissions to water, land and air. All discharges and emissions are reported to the authorities,



Statoil is a leading marketer of jet fuel.



The demand for gas is growing.



A wide range of lubricants is provided.

IT IS OFTEN THE CASE  
THAT THE "CLEANER"  
THE FUEL, THE MORE  
ENERGY IT TAKES TO  
PRODUCE IT



Statoil is involved in developing  
DaimlerChrysler's  
methanol-driven fuel cell car.

and systematic action is taken to avoid accidentally exceeding the limits. Efforts are being made to enable us to produce with the minimum possible discharges/emissions.

As part of our quality management system, all refined products are analysed before being shipped to customers. Products which fail to meet the required standards do not leave the refinery, but are adjusted until they comply.

As part of our product development strategy, we carry out fuel exhaust gas analyses on different engines and turbines as well as flue gas analysis on stationary energy equipment. To generate new scientific knowledge, we participate in research and development programmes through Concawe, the oil industry's European organisation for health, safety and the environment.

Additives go into many of our products to improve their performance. To avoid increased health and/or environmental risks, no substances are added unless they have been thoroughly tested and evaluated.

Material safety data sheets are prepared for all fuels, lubricants, methanol and chemical products, in compliance with EU legislation. In addition, some products are classified and labelled in accordance with Concawe recommendations.

**Improving our products.** We were the first oil company in Norway to phase out leaded petrol completely. This was achieved by 1994, six years before such fuel was banned within the EU. The lead substitute used was an outcome of our own research and development efforts. Other oil companies later followed suit and chose the same solution.

We were also the first oil company in Scandinavia to reduce the proportion of benzene – a carcinogenic substance – in petrol to two per cent. And we were the first in Norway to offer petrol with a benzene content of just one per cent.

The Mongstad refinery has invested in desulphurisation equipment which will allow it to reduce the sulphur content in petrol to 10 parts per million (ppm) by 2003, two years before new EU requirements are implemented in this area. Our Kalundborg refinery has also invested in diesel process equipment to meet the same requirements as early as 2002.

In Sweden, 20 per cent of the petrol we sell is blended with five per cent bio-ethanol, a technical alcohol normally produced by fermenting biomass. We also sell large volumes of biodiesel produced from rapeseed oil in this market.

**Expanding into renewables.** We moved into the bio-energy heating market in 1999, when we bought our first wood pellet manufacturing plants in Sweden and Norway. We have since continued to invest in production facilities and distribution channels for wood pellets in Norway, Sweden and Denmark.

This fuel is made from forest industry waste, and provides two to five times the energy content of unprocessed biological fuel. Wood pellets offer an alternative to heating oil, natural gas and electricity. They are used in central and district heating facilities as well as in domestic pellet stoves. We also use pellet boilers in our new business concept of providing heating packages to buildings.

As part of the same concept, we offer the customer an environmental account for each site to keep track of emissions saved compared with traditional heating sources.

In 2001, we sold 42 000 tonnes of wood pellets as against 21 000 tonnes the year before.

#### **TARGETS**

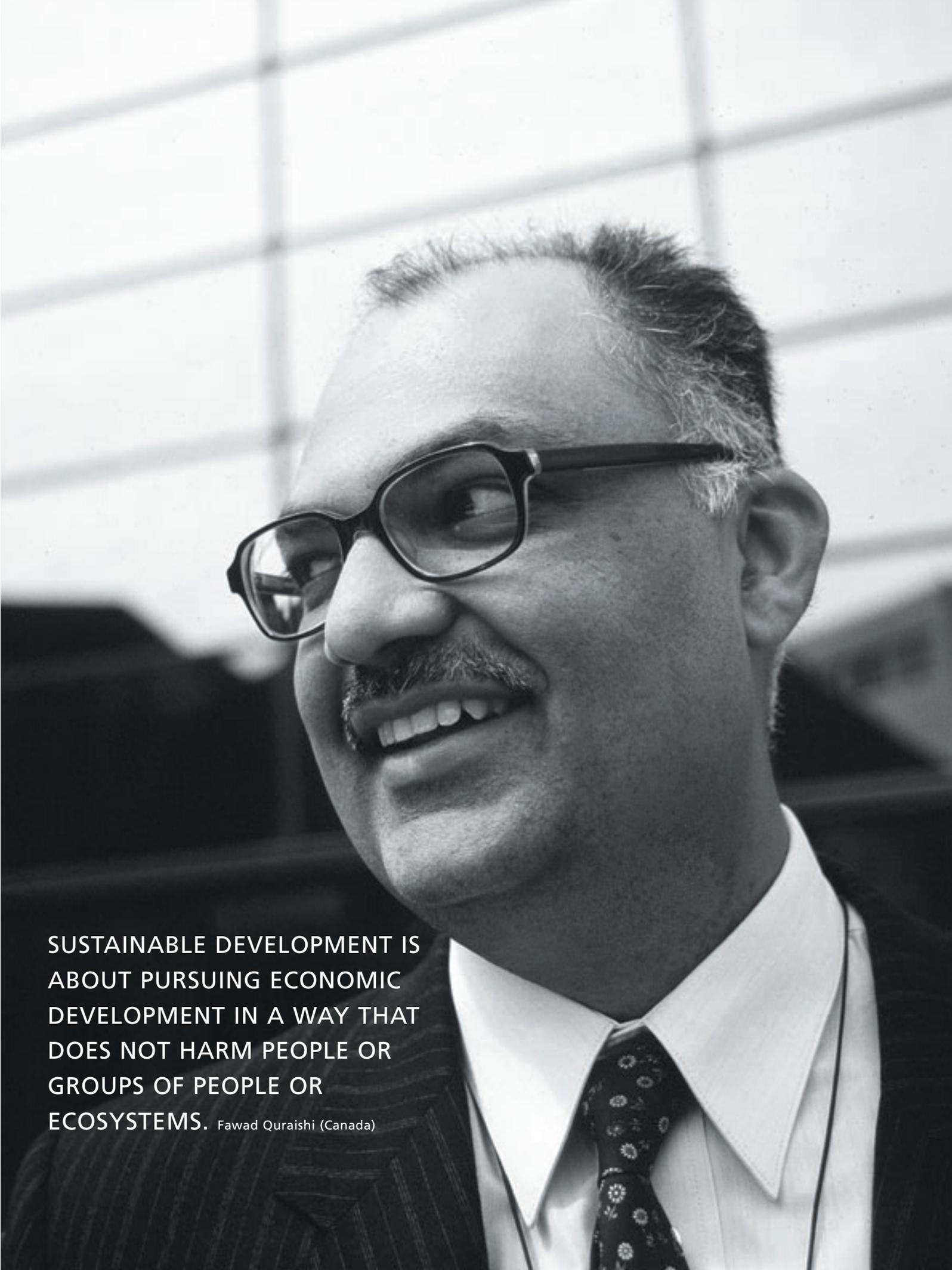
- We aim to incorporate life-cycle analyses (LCAs) into our management system. These are not yet carried out systematically, but represent an important tool for evaluating the scientific, environmental and economic factors relevant for assessing the quality of our products.
- We will establish a strategy on bio-fuel, and establish an integrated management system for product stewardship.

#### **OUR SPENDING ON PRODUCT R&D**

We increased our spending on product-related R&D from NOK 50 million in 2000 to NOK 80 million the following year.

Of this amount, we doubled our efforts to

develop renewable products from NOK 4 million to NOK 8 million. This sum is set to increase further in 2002, since we have budgeted to devote NOK 12 million to R&D with renewables.



SUSTAINABLE DEVELOPMENT IS ABOUT PURSUING ECONOMIC DEVELOPMENT IN A WAY THAT DOES NOT HARM PEOPLE OR GROUPS OF PEOPLE OR ECOSYSTEMS. Fawad Quraishi (Canada)

## Social impact

To explain our social impact, we have chosen to address two of the most important social challenges which we face or will be facing when operating in developing countries: human rights and HIV/Aids. These are both critical from a sustainable development perspective. And both affect – directly or indirectly – our licence to operate.

### CHALLENGES

According to the UN High Commissioner for Human Rights, human rights considerations have caused 35 per cent of the world's 500 largest companies to abandon a proposed investment project, and 19 per cent to divest from a country. When Amnesty International therefore asks whether human rights is any of our business, Statoil answers in the affirmative.

The HIV/Aids epidemic is spreading fast in many countries and has been defined as a social crisis on a global scale. The business community is vulnerable to this disease. You cannot have a healthy workforce without healthy families and healthy communities. All our contributions to sustainable development could mean next to nothing in some countries unless we help combat the epidemic.

### POLICIES

Statoil is committed to observing and promoting fundamental standards for human rights. The potential impact of our operations and projects on human rights is assessed where this is considered relevant.

### PERFORMANCE

**Security and human rights.** The biggest blow to the reputation of oil companies over the past few years has probably been their association with the security forces assigned to protect their interests in conflict-prone or conflict-ridden countries. Sometimes drawn from the police or military units of repressive regimes, these forces often discharge their duties by resorting to violence.

From Colombia to Sudan and Burma, we find examples of security arrangements for oil companies which have gone awry in the sense that the use of force has been indiscriminate, excessive or disproportionate, and that people's human rights have been violated. Statoil has yet to confront a challenge of this nature in our operations.

We are aware of the challenge, however, and have asked ourselves how best to prevent or manage such risks. There are no quick fixes, but we believe that corporate investment in the community can help ease social tension over time. Another place to start is with



Ivan G Rincon, president of Venezuela's Supreme Court, has been training his fellow judges in human rights as part of a Statoil-supported project.



Pupu Dickson (right) has secured work as a cashier in a local bank thanks to a Statoil-backed development programme for Nigeria's Akassa tribe.



José da Costa uncovers one of roughly five million landmines left after the conflict in Angola. Statoil has supported the disposal programme run by the Norwegian People's Aid.

**IT IS EXPECTED OF US THAT  
WE ASSESS THE IMPACT OF  
OUR OPERATIONS AND  
PROJECTS ON CONFLICTS  
AND HUMAN RIGHTS**

the “schooling” of security forces on the basis of guidelines such as the Voluntary Principles on Security and Human Rights.

Because some of the world’s petroleum can be found in zones of instability and conflict, we are expected to assess the impact of our operations and projects on conflicts and human rights. We do this where relevant, but have yet to develop a proper methodology for making such impact assessments.

We need strategic assessments which capture possible impacts both at the micro or project level and at the macro or regional/country level. In connection with our investment in Azerbaijan and Angola, we commissioned country analyses with a broader socio-political and socio-economic focus.

The purpose of these studies was twofold: to improve our general understanding of local conditions and to assess how the influx of oil money was likely to affect the institutions and regimes of the two countries. What the studies accomplished, moreover, was to establish a baseline for future reference and to identify some key challenges for Azerbaijan and Angola as so-called petro-states.



Rena Agazade (left) is teaching human rights to Azeri nine-year-olds.

**PROMOTING HUMAN RIGHTS IN AZERBAIJAN**

Azerbaijan has one of the highest concentrations of refugees and internally displaced persons in the world – some 13.8 per cent of the population. This is one of the countries in which the Norwegian Refugee Council – an NGO whose work Statoil is proud to support – is making a contribution to achieving durable solutions for its target groups. This will promote the building of peace and democratisation.

One of the projects run by the council with financing from Statoil seeks to promote human rights through education. The project organises the production and distribution of human rights support materials and provides training for primary and secondary school

teachers. They, in turn, explain human rights to their pupils. As part of this project, too, introductory workshops and seminars on human rights are held for relevant government and private institutions.

Statoil has also contributed financially to the work done in Azerbaijan to revise the country’s electoral law. The aim was to bring legislation more into line with international standards for democracy, fairness and transparency. This work was carried out jointly by the Azeri authorities and the Organisation for Security and Cooperation in Europe’s office for democratic institutions and human rights (OSCE ODIHR).

**HIV/Aids.** A comprehensive Statoil policy on the challenge of HIV/Aids will be introduced later this year. Its key components are information and awareness-raising campaigns, training of managers, practical measures to support changes in sexual behaviour and community outreach programmes.

Solidarity, care and support are virtues which should guide our workplace response to HIV/Aids. We must ensure that workers who disclose their HIV status are not discriminated against or stigmatised. And we must ensure that our efforts are linked to local, national and international efforts in the fight against Aids.

**Partnerships for development.** Some external stakeholders tend to equate corporate citizenship with the kind of social investment projects in which we get involved. We are commonly associated with a capacity-building project for human rights in Venezuela, a community development project in the Niger delta, and support for strengthening democratic institutions in Azerbaijan.

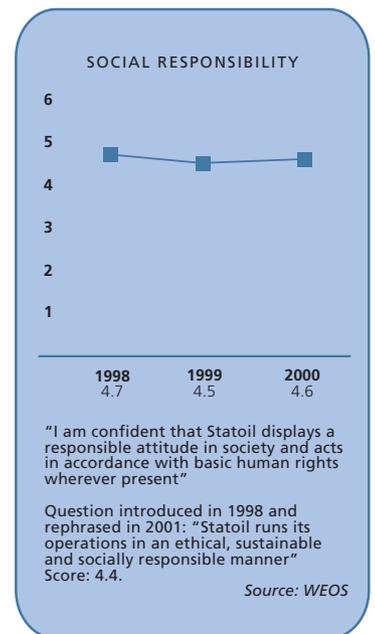
What do these projects say about our evolving approach to community investment? First, we are moving beyond charity and aim to contribute to sustainable development. Second, we are seeking to help build local capacity in the fields of education, human rights and governance. Third, we prefer a model of tri-sector partnership.

We will work with and through local authorities and non-governmental organisations, supporting activities they have initiated on the basis of detailed knowledge of local needs. We do not envision establishing a foundation and running these projects ourselves.

The experience of tri-sector partnerships in the field and stakeholder engagement through the UN Global Compact have spurred increased cooperation between ourselves and a select few Norwegian NGOs and international humanitarian and development organisations. Over the past 18 months, we have concluded cooperation agreements with the UN High Commissioner for Refugees, the Norwegian Refugee Council, the Norwegian Red Cross and Amnesty International Norway.

These agreements have been established in part because we want to improve our risk management. We want to tap into the wealth of knowledge possessed by these organisations. Through these partnerships, we can gain access to information which may improve our understanding of local conditions. We will also be able to draw on the rich experience of our partners when preparing our own personnel for assignments in locations which require special sensitivity to the challenges of health, safety and security, human rights, and bribery and corruption.

**SOLIDARITY, CARE AND SUPPORT ARE VIRTUES THAT SHOULD GUIDE OUR WORKPLACE RESPONSE TO HIV/AIDS**





Beate Slydal from Amnesty International Norway has created an e-learning course on human rights for Statoil.

## ENGAGING WITH AMNESTY INTERNATIONAL

Statoil has been engaged for several years in a dialogue with Amnesty International about the human rights challenges facing the oil and gas industry. Last year, we signed an agreement with Amnesty International Norway (AIN) on human rights education. This accord stipulates that we will support the work of AIN financially and gain access to a human rights training programme which it is currently developing. We will make use of this programme in our in-house efforts to raise awareness and increase understanding of the human rights challenges facing our industry.

While AIN is working with Statoil on human rights education, the organisation continues to challenge us on the active promotion of human rights. In a campaign last year, for example, it called on Norwegian corporations to raise the issue of torture and other human rights violations with government officials in the relevant countries.

Our response was along the following lines: We strive to promote respect for fundamen-

tal human rights. In-house consciousness-raising and training form part of these efforts, but we also seek to convey our attitudes on human rights and social responsibility to a broader public: partners, suppliers, government authorities and voluntary organisations. This is primarily accomplished through our business practices, and not least through the way we treat our own employees.

We believe that, as a general rule, a commercial player should be careful about adopting a role or a responsibility which belongs more appropriately to national authorities, international institutions or voluntary organisations.

Unless an issue is directly related to our operations or directly affects our own employees, we believe that it would in most cases fall outside our legitimate scope as a company to pursue, investigate or report specific breaches of human rights in relation to partners or the authorities in our host countries.

## TARGETS

- Complete the development of an in-house human rights awareness and training programme by 2002.
- Include human rights challenges in the assurance letter to be introduced in 2002.

Statoil's editorial team: Geir Westgaard, Astri Sivertsen, Natalja Altermark, Rolf Gooderham  
Design, layout and graphs: Apropos Communication, Statoil  
Pre-press and printing: Bryne Offset

### *Pictures:*

Thomas Widerberg: front page, 6, 16 and 22  
Tor Inge Kveum: page 40  
Sigbjørn Sigbjørnsen: pages 20, 26, 34, 50 and 58  
Øyvind Hagen: page 12  
Harald Pettersen: page 28  
Statoil's picture archive: small pictures

August 2002

## Ernst & Young verification statement

We have reviewed the Sustainability Report 2001 (Report) for Statoil ASA, as outlined below, in order to substantiate its contents. The Report has been prepared by Statoil, which is responsible for selecting the information and collecting the data for presentation therein.

### APPROACH

There are currently no statutory requirements or generally accepted standards relating to the preparation, publication and attestation of corporate sustainability reports. We have therefore used a customised attestation process. As a consequence, our report is confined to the aspects stated below:

### BASIS OF OUR REVIEW

Our terms of reference agreed with Statoil were to:

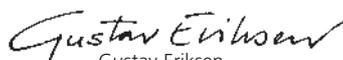
- Discuss, with a selection of Statoil's senior managers and -personnel, their approach to managing non-financial issues (Health & Safety, Environmental Performance, Business Ethics, Human Resources and Social Impact) to understand objectives and priorities for embedding the policies, the means to accomplishing those objectives.
- Review a selection of external media sources for reports relating to Statoil's adherence to its policies, as a check on the appropriateness of the information reported and statements made in the Report.
- Challenge the Report to substantiate its content.
- Review HSE data and check that it has been accurately transcribed from the Annual Report and Accounts.
- The article within the Report written by ECON – a Norwegian-based centre for economic analysis - does not form part of our verification scope, and is the full responsibility of ECON.
- Our work has not included reviewing the implementation of the non-financial policies.

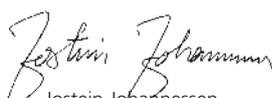
### CONCLUSIONS

On the basis of our review, in accordance with the terms of reference for our work, we conclude that:

- Assertions and claims made in the Report are supported by the evidence obtained during the attestation process.
- The objectives for implementation of the non-financial policies described in the Report are consistent with those, which the senior management have set in the course of the year.
- The Report covers a selection of key issues highlighted in the Norwegian media over the reporting period. Decisions regarding the inclusion of such material and the degree to which the Report contents address key stakeholder concerns are based on Statoil's judgement.
- The HSE data included in the Report are in a consistent manner transformed from the Annual Report and Accounts

Stavanger, 1 July 2002  
ERNST & YOUNG AS

  
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