

2014

Sustainability
report



Statoil

2014

Sustainability report

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

www.statoil.com

Cover photo: Harald Pettersen

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Find out more

Information about corporate governance, risk, subsidiaries, production volumes etc. can be found in the Statoil ASA 2014 *Annual Report on Form 20-F* and in the Statoil ASA 2014 *Statutory Report*. To obtain a full overview of our sustainability approach and performance, the following sources of information should be taken into consideration:

- www.statoil.com and www.statoil.com/sustainability
- Statoil ASA 2014 *Annual Report on Form 20-F*
- Statoil ASA 2014 *Statutory Report*
- Statoil 2014 *Payments to Governments report*
- Statoil *Energy Perspectives 2014*
- Statoil Canada 2014 *Oil Sands Report* (April 2015)
- Statoil's annual report to the *Carbon Disclosure Project*, available at www.statoil.com/sustainability

Feedback

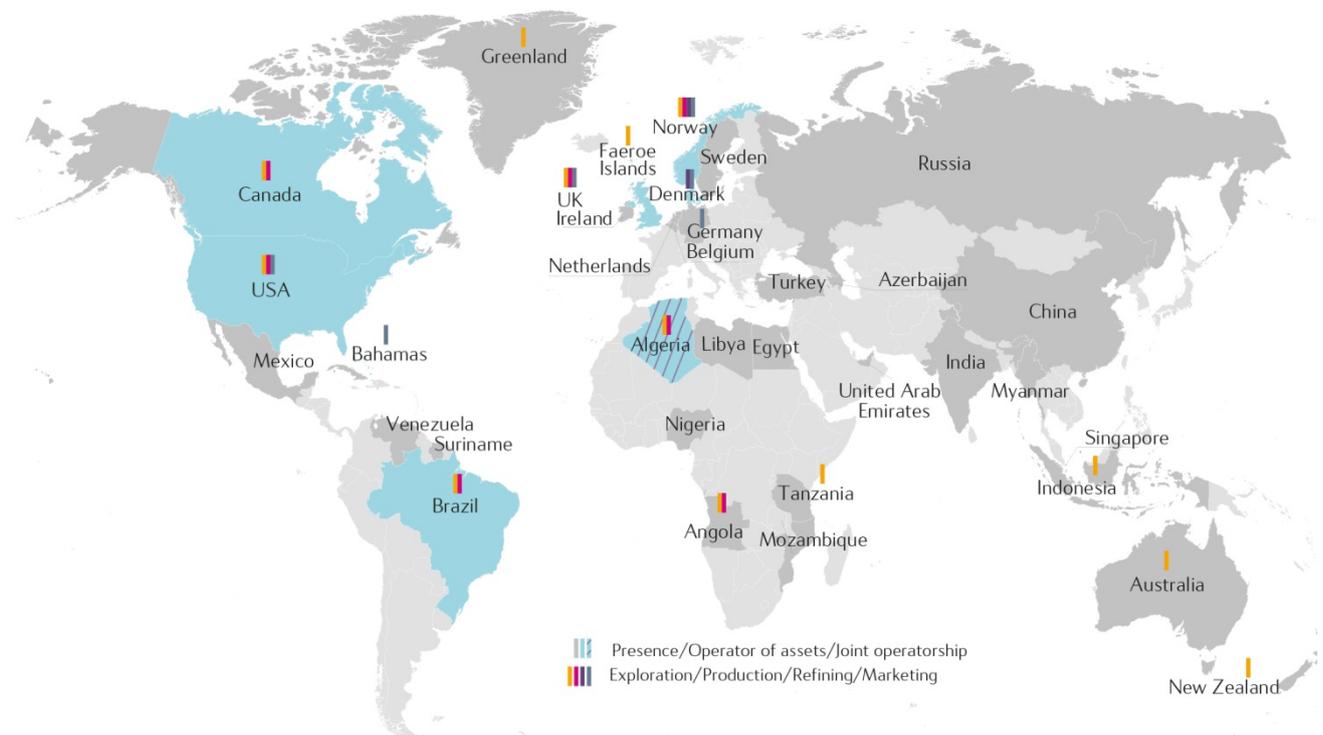
Your feedback is important. You can contact the corporate sustainability reporting team at sustainabilityreport@statoil.com.

1 This is Statoil

Statoil is a technology oriented oil and gas producer, focusing on upstream activities, while also marketing and trading crude oil, natural gas, liquids and refined products and with activities in offshore wind.

- We have been the leading operator on the Norwegian continental shelf for a long time.
- Statoil is listed on the New York and Oslo stock exchanges and we employ more than 22,500 people worldwide.
- Statoil's equity production in 2014 was 703 mmbbl and our production from Statoil-operated assets was 997 mmbbl.
- We are the second biggest gas supplier to Europe and the sixth biggest in the world.
- Our international production continues to grow; 39% of our equity production now takes place outside Norway.
- Altogether, we are present in more than 30 countries.

Where we are in the world:



The map provides an overview of our global presence as of 31.12.2014, highlighting countries where Statoil is the operator for production or processing facilities.

Algeria: We operate the In Salah dry gas and In Amenas gas and condensate fields together with BP and Sonatrach.

Brazil: We operate the heavy-oil Peregrino field off the coast of Brazil.

Canada: We operate the onshore Leismer oil sands project and are active in offshore exploration in East Canada.

Norway: As operator Statoil is responsible for about 69% of all oil and gas production on the Norwegian continental shelf.

UK: We are the operator for the Mariner heavy oil project. We are one of the UK's largest offshore oil and gas investors and have significant offshore wind projects.

USA: We are active in deep-water operations in the Gulf of Mexico and in onshore shale oil and gas activities in the USA.

More information about our business activities in Norway and worldwide is available at www.statoil.com/en/about/worldwide/pages/default.aspx.

Our value chain

Supply chain

The annual value of our procurement spend is over NOK 185 billion, and we have approximately 12,000 suppliers around the world.

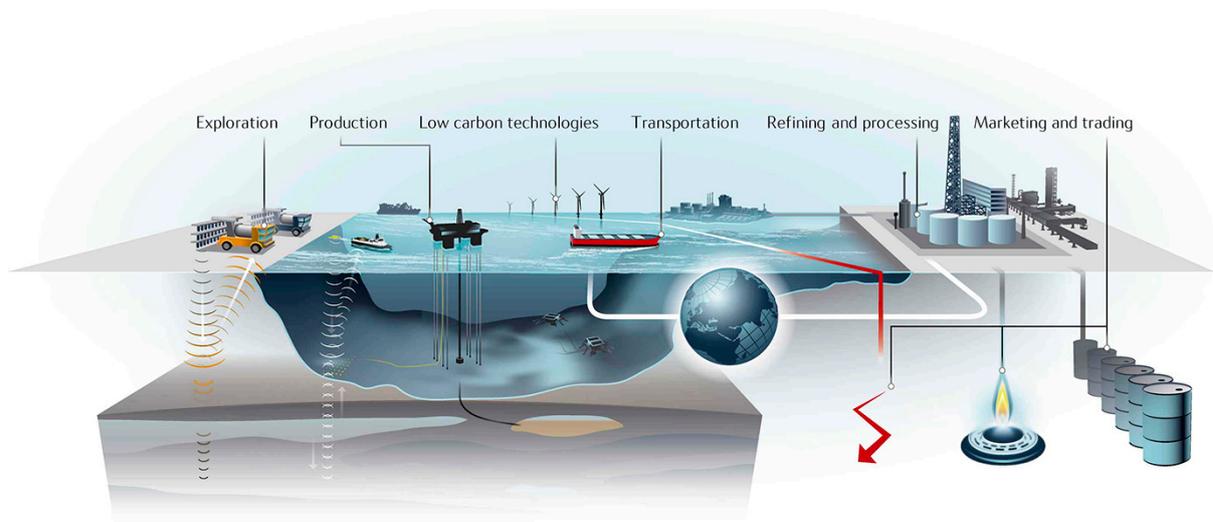
We are committed to using suppliers that maintain high standards of integrity, safety, security and sustainability.

Exploration, development and production

Oil and gas will continue to be important energy sources for many years. In Statoil we focus on innovation in exploration and production to recover valuable resources at low cost and low carbon footprint.

Low carbon technologies

Climate change and a growing demand for clean energy are opening up new business opportunities. Within low carbon technologies, our focus is on carbon capture and storage and offshore wind.



Transportation

Every year, seaborne transportation of our crude, product and gas liquids involves more than 4,000 voyages and moves over 100 million tonnes of oil.

Refining and processing

Statoil refines oil and processes gas at a number of plants both in and outside Norway. We are also the technical service provider for reception facilities and infrastructure for gas.

Marketing and trading

Statoil trades in petroleum products, methanol, natural gas, power and emission allowances all over the world and ranks as the world's third largest net seller of crude oil.

Our values are:

Courageous
Open Caring Hands-on

2 Sustainability matters

Statoil aims to be recognised as the most carbon efficient oil and gas producer and to create lasting value for communities.

Oil and gas from a climate and social perspective

Global energy demand is driven by population growth and by growth in the world economy. By 2050 there will be some 9.6 billion people on the planet; 2.4 billion more than today. Hundreds of millions of people will move into the middle classes, increasing global demand for energy by 37% by 2040, according to the International Energy Agency (IEA) *World Energy Outlook 2014*.

More energy production is needed; both to replenish fossil fuel capacity, and to expand renewable energy sources. The IEA expects the wind and solar power to expand rapidly. Still, fossil fuels are foreseen to continue to dominate energy supply in the decades ahead.

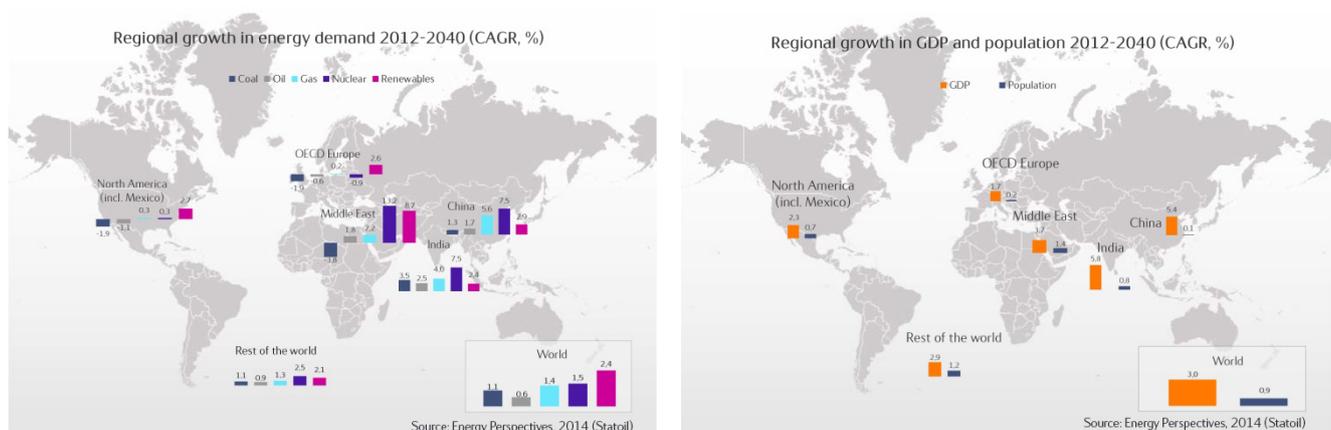
Access to energy is fundamental to human well-being, economic development and to eradicating poverty. Energy makes it possible to provide clean water, sanitation, lighting, heating, cooking, mechanical power, materials, transport and telecommunications services. It enables job creation, economic empowerment and social development – all essential building blocks for political stability. Today, however, nearly 1.3 billion people have no access to electricity, and more than 2.6 billion people rely on the traditional use of wood, coal, charcoal or animal waste for cooking and heating, causing pollution that is harmful for human health, according to estimates from the IEA (*World Economic Outlook 2013*).

Our global energy systems must be transformed to become more sustainable. The International Panel on Climate Change (IPCC) reports that the impact of human energy consumption on the global climate is undisputable (*Climate Change 2013, The Physical Science Basis*). Climate change is leading to rising surface temperature, droughts, water stress, more frequent occurrences of extreme weather, the degrading of biodiversity, melting glaciers and rising sea levels. Some two-thirds of the world's greenhouse gas emissions arise from energy consumption, with a trajectory of continued emission rises, and with an increasing share attributable to non-OECD countries. Climate change affects everybody, though it is the poor and most vulnerable who suffer its most adverse effects.

In December 2015, world leaders will gather to negotiate a new United Nations (UN) deal to limit the negative effects of climate change. If the world remains on its current course, we will not be able to limit the rise in global temperatures to the internationally agreed target of two degrees Celsius. If the target is to be achieved, considerable changes to our energy system are required.

New business opportunities

Climate change and a growing demand for energy are opening up new business opportunities. The IPCC *Climate Change 2014 Synthesis Report* states, among other things, that greenhouse gas emissions from energy supply can be reduced significantly by improving energy efficiency and by switching from coal to gas, provided that fugitive emissions associated with extraction and supply are low or mitigated. Statoil is in a good position to seize on these opportunities by promoting the wider use of natural gas, energy efficiency and technological advances, all longstanding core capabilities within the oil and gas industry.



CAGR: Compound Annual Growth Rate.

Sustainability matters - a new strategy to bring sustainability to the heart of decision-making

At Statoil, we believe that we can bring to the fore expertise, solutions and technologies linked to carbon efficiency that can support reduced emissions from energy, and also provide stronger community development. This is why we launched our sustainability strategy in 2014, following a year of analysis, risk assessment and wide-ranging engagement across the value chain and with external partners.

Our strategic approach

Focus areas	Sustainability strategic objectives	Business strategy
Carbon efficiency	Statoil aims to be recognised as the most carbon efficient oil and gas producer , committed to creating lasting value for communities	Technology focused upstream company
Create lasting local value		

Our objective is to be recognised as the most carbon efficient oil and gas producer, and to create lasting value for communities.

Our sustainability strategy is placed to directly support our business objectives of high value growth and increasing efficiency, as a technology focused upstream oil and gas company. Reducing carbon emissions will ensure the long-term viability of our position as a leading energy provider, whereas contributing to stronger communities will support social cohesion and help us maintain a mutually beneficial relationship with the communities in which we operate.

Recognised as the most carbon efficient oil and gas producer

Our new sustainability strategy reconfirmed our ambition to 'be recognised as the most carbon efficient oil and gas producer' as one of the two strands of our sustainability leadership. External benchmarks show that Statoil is currently one of the most carbon efficient oil and gas producers in the world. However, we cannot be complacent. We recognise the responsibility we have in reducing carbon emissions from our operations; not only because of the effects on climate, but also to ensure that we are competitive and efficient.

In addition to managing our emissions, we look beyond the company to advocate for cost-effective climate and energy policies. Since the sustainability strategy was launched, several new undertakings have been introduced: more robust internal investment assessments, efforts to reduce global methane emissions and flaring, and the advocacy of consistent and ambitious climate policies.

More information about how we work to achieve our climate ambition is provided in the *Climate change and energy supply* section.

Creating lasting local value for communities

Maintaining the trust of our local stakeholders and remaining accountable to them is part of our corporate values. To earn and retain trust, we are committed to managing our operations responsibly both in communities that are new to us and in those where we have an existing longstanding commitment. Development of oil and gas resources can make a contribution towards equitable growth and development, as we have seen in Norway.

We are increasingly active in low and middle income countries. Each country and community has a unique set of circumstances, needs and expectations. Whilst experience from Norway provides a good starting point, we need to understand and respond appropriately to each specific operational setting. 'Creating lasting value for communities', the second strand of our sustainability strategy, implies working within a number of areas simultaneously, while demonstrating inclusive stakeholder engagement. Our broad strategic intent includes five sub-themes and corresponding promises:

- **Be open and transparent** - so people can see what we do, particularly the revenues we create and our environmental performance.
- **Aim for outstanding resource efficiency** - we use resources efficiently, and reuse or recycle as appropriate.
- **Prevent harm to the local environment** - we apply high standards to waste management, emissions and impact on ecosystems - wherever we work.
- **Create local opportunities** - we help transform the natural resources of a country and community into revenue, competencies, infrastructure and jobs.
- **Respect human rights** - so no one is adversely affected by what we do.

More information about how we work to create local value is provided in the following sections: *Transparency and anti-corruption*; *Resource efficiency and environmental impact*; *Creating local opportunities* and *Human; rights*.

Implementing the sustainability strategy

The sustainability strategy provides direction and intent for action. In addition to carrying out actions directly linked to the two key areas of the strategy, carbon and communities, we have developed guidance and tools for everyone who works for us. This involves revising our management system, risk management processes and our monitoring and reporting, and strengthening sustainability as one of our key competencies and areas of competitiveness. A sustainability competency framework has been completed and will be followed by regular competency assessments and training programmes for relevant employees going forward.

In September 2014 an internal campaign called Sustainability Matters was rolled out throughout the company. Activities included employee information meetings, new online resources, social media activities, as well as competitions. The campaign attracted company-wide attention and demonstrated the emphasis we put on sustainability as part of our business operations.

Safety and security priorities

In 2014 we also revised our safety strategy. To achieve our target of a serious incident frequency of 0.5 or below by 2015, we will continue to strengthen areas that have positively impacted our safety performance, outlined below:

First, we plan to continue our *Compliance & Leadership* programme, which emphasises leadership behaviour and compliance with requirements and best practice. Secondly, we will strengthen *risk awareness*. Identifying and mitigating risk is a cornerstone of accident prevention. Thirdly, we will continue to focus on *efficient barriers*, as these enable us to respond to safety context and risk exposure. Our fourth safety priority area is to *improve together with our suppliers*. We are aware of the fact that our suppliers perform a large part of the millions of man-hours worked in connection with our operations every year. Further improvement in our safety performance implies collaboration with our suppliers, and transfer of experience between us and our suppliers.

Within security, our priority is to implement our *Security Improvement Programme*, focusing on efforts to strengthen our security culture. The programme was established based on the recommendations made in the investigation report following the tragic In Amenas terrorist attack in Algeria in 2013. The programme is described in the *Safety and security* section of this report.

Risk management

In order to respond to the diverse challenges and opportunities we encounter in the course of undertaking our activities, we take a holistic and multi-disciplinary approach to risk management, drawing on tools and expertise from relevant disciplines, including sustainability, safety, security and ethics and anti-corruption. In 2014, we continued to integrate aspects of sustainability aspects into our enterprise risk management process. The most significant safety, security and sustainability aspects are addressed in our corporate risk map, which is discussed and reviewed by the Board of Directors and the Corporate Executive Committee on a regular basis. More information about our safety and sustainability risk management process is available at www.statoil.com/sustainability.

Governance and remuneration

Implementation of the sustainability strategy is supervised by Statoil's Corporate Sustainability Unit, reporting directly to the head of Global Strategy and Business Development, with the support of other corporate functions and business areas. Implementation of the safety and security strategies is the responsibility of the Corporate Safety and Security Unit, reporting directly to the Chief Executive Officer. The progress in implementing these strategies is measured by means of performance indicators and monitored by the Corporate Executive Committee and the Board of Directors' Safety, Security, Sustainability and Ethics Committee.

At Statoil, performance is evaluated in two dimensions; business delivery and behaviour. Business delivery is assessed through strategic objectives, key performance indicators and actions across five perspectives: people and organisation, health, safety and environment (HSE), operations, market and finance. Within HSE, our strategic objectives and actions address **industry leadership in safety** and **carbon efficiency**. More information about our remuneration policy and criteria is available in the *Board's Statement on remuneration for Statoil's Corporate Executive Committee (2014)*, available at www.statoil.com/annualreport2014.

More information about corporate governance and governing bodies, including the composition and responsibilities of the Board of Directors' Safety, Security, Sustainability and Ethics Committee, is available at www.statoil.com/corporategovernance. *The Statoil Book*, available at www.statoil.com, provides an additional overview of Statoil's management system, including corporate values, policies, governance and operating model.

Our targets and performance

Carbon efficiency



Our ambition

To be recognised as the most carbon efficient oil and gas producer.

Our progress in 2014

The new key performance indicator *CO₂ emission reduction* was implemented.

339,000 tonnes of potential CO₂ savings were identified, above the 2014 target of 250,000 tonnes.

We made steady progress towards meeting our 2020 carbon efficiency targets (see *Climate change and energy supply* section).

We achieved a flaring intensity of 4 tonnes of gas flared per 1,000 tonnes hydrocarbons produced.

We joined the *Climate and Clean Air Coalition Oil and Gas Partnership* to drive the reduction of methane emissions in our operations.

Goals and targets

CO₂ emission reductions (2015)*:

- 330,000 tonnes

CO₂ intensity, kg CO₂/boe (2020):

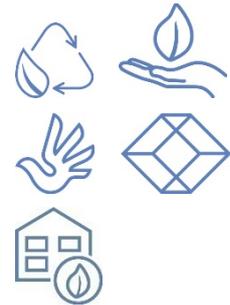
- Conventional oil and gas: 11
- Heavy oil 17
- Liquefied natural gas 24
- Shale gas 6
- Tight oil 18

Flaring intensity (2020):
≤ 2 tonnes gas flared per 1,000 tonnes hydrocarbons produced.

Submit implementation plan on methane reduction efforts to *Climate and Clean Air Coalition Oil and Gas Partnership* (2015).

Collaborating and advocating for cost-effective climate and energy policies (2015).

Creating lasting local value



Our ambition

Create local opportunities.

Aim for outstanding resource efficiency.

Prevent harm to local environments.

Respect human rights.

Be open and transparent.

Our progress in 2014

A corporate framework for country sustainability plans was prepared.

We performed significantly better than the industry average on all environmental indicators¹.

A corporate framework for site-level grievance mechanisms was established, and such mechanisms were set up in Brazil, Tanzania and the USA.

Statoil was recognised as the world's third most transparent company by Transparency International.

We disclosed payments to governments at project level for 2014 (March 2015).

Increased transparency through reporting of indirect CO₂ emissions.

Goals and targets

Develop country sustainability plans for all countries where Statoil has operations (2015).

Establish a group level human rights governing board (2015).

People and organisation



Our ambition

Build a globally competitive company which is an exceptional place to perform and develop.

Our progress in 2014

We established and managed efficiency projects, delivering organisational change with a stringent and aligned approach across the company.

The global networking tool LinkedIn identified Statoil as the 90th most attractive employer globally².

The proportion of female managers increased to 28%.

60% of new hires were non-Norwegians.

*Key performance indicator

Safety and security



Our ambition

An industry leader in safety.

Our people, assets and operations safeguarded from security risks.

Our progress in 2014

The serious incident frequency (SIF) per million hours worked dropped to 0.6, aligned with our target for 2014.

The number of serious oil and gas leakages³ per month improved from 1.6 in 2013 to 1.1 in 2014.

We continued to implement the Security Improvement Programme throughout the company.

Goals and targets

Serious incident frequency* < 0.5 (2015)

Serious oil and gas leakages* < 0.5 per month (2015)

Progress on the Security Improvement Programme (2015)*

¹ The International Oil and Gas Producers (IOGP), 2014: *Environmental Performance Indicators*, (2013 data).

² LinkedIn, 2014: *The World's 100 Most InDemand Employers*.

³ Number of inflammable oil/liquid/gas leakages with leakage rate > 0,1 kg/sec. or brief leakages >1 kg

Materiality assessment

This report focuses on the social, environmental and economic issues that significantly affect business performance and matter most to our key stakeholders. Additionally, the report reflects sustainability related issues and stakeholder concerns that were particularly relevant in 2014.

We conducted a systematic content selection process for this report based on the Global Reporting Initiative (GRI) *G4 Sustainability Reporting Guidelines*, taking into account stakeholders' expectations, sustainability context and materiality. The process consisted of three steps:

- **Identifying** relevant aspects that should be assessed for potential inclusion in the report, based on sustainability context, stakeholder expectations and business impact.
- **Prioritising** aspects by assessing their significance to stakeholders and their potential financial and reputational impact on Statoil.
- **Validating** the completeness of the material aspects identified in terms of scope, boundary and time.

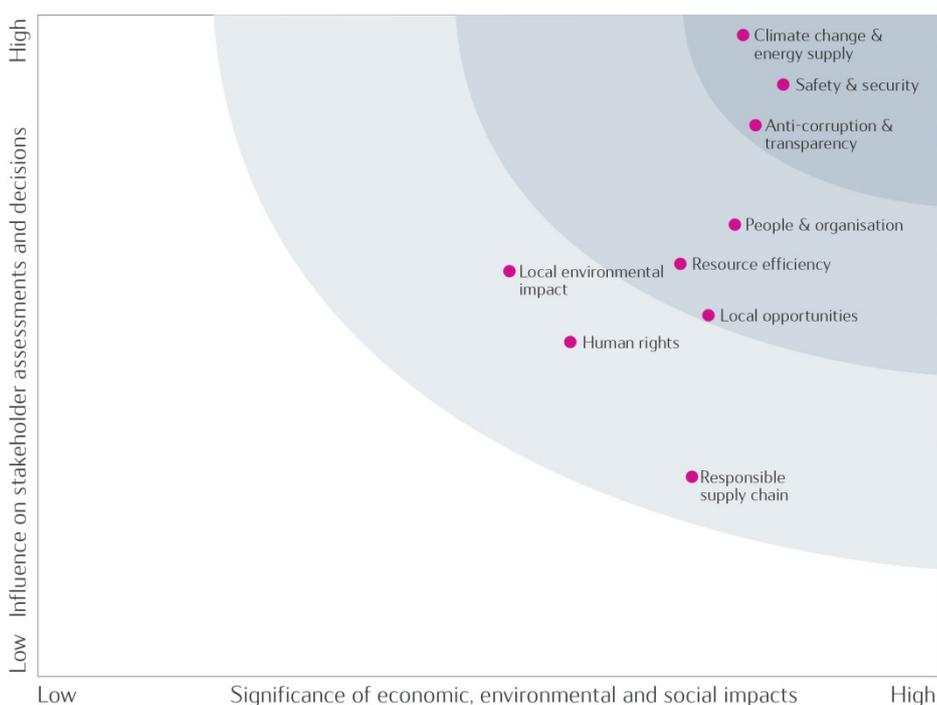
Relevant sustainability topics were identified through review of the GRI guidelines, sustainability ratings, peer company reports and stakeholder input. The assessment of significance to stakeholders was based on media analysis and continuous and, regular dialogue with our key stakeholders: investors and shareholders (including our majority owner the Norwegian government), host governments, civil society and employees. In addition, our corporate risk management process was used to inform our prioritisation. A description of our most significant risks, including safety and sustainability risks, is available in the Statoil ASA *2014 Annual Report on Form 20-F*.

More information about how we engage with our key stakeholders on a regular basis, to inform our strategies, business activities and reporting, is available in the *Engagement and dialogue* section at www.statoil.com/sustainability.

In order to make the sustainability report concise and relevant at group level, the report focuses primarily on aspects of high materiality, whereas aspects of lower materiality are covered less comprehensively. Aspects identified as significant to both Statoil and our stakeholders included **climate change and energy supply**, **safety and security** and **anti-corruption and transparency**. We experienced increased attention regarding employee and organisational matters in 2014 compared to previous years, mainly related to efficiency programmes. In addition, we continued to experience high stakeholder attention regarding sustainability aspects related to our activities in the **Arctic**, **shale oil and gas** and **oil sands**.

Materiality plot

The materiality plot illustrates the importance of sustainability aspects at group level. All issues in the plot are relevant to and managed by Statoil. In 2014, we updated the terminology pertaining to sustainability aspects, to reflect our new sustainability strategy



Reporting boundaries

Unless otherwise stated, we report non-financial data, including environmental, health and safety performance data, on a 100% basis for companies and joint ventures where we are the operator or the technical service provider. We report in this way, in line with industry practice, because these are the data we can directly manage and affect. Our workforce data covers employees directly employed by Statoil. Information about our policies and management approach is provided at group level. Detailed information regarding the boundaries pertaining to aspects and data covered in this report is available in the section *About the report and data*.

Material aspect	Boundary	Material aspect	Boundary
<i>Climate change and energy supply</i>		<i>Local environmental impact</i>	
Climate strategy	Group	Emissions to air	Operations
Climate risk management	Group	Discharges to the environment	Operations
Low carbon technologies	Group	Waste	Operations
Greenhouse gas emissions	Operations; indirect emissions, products	Biodiversity and ecosystem services	Operations
<i>Anti-corruption and transparency</i>		<i>Local opportunities</i>	
Revenue transparency position	Group	Stakeholder engagement	Group, communities
Anti-corruption policy and practice	Group, partners, suppliers	Economic impact	Group
<i>Safety and security</i>		Local procurement	Relevant countries*
Asset and process safety	Operations, contractors	Local workforce	Relevant countries*
Emergency preparedness	Operations	Community investments	Group
Health and work environment	Workforce	<i>Human rights</i>	
Security	Group	Use of security forces	Relevant countries**
<i>People and organisation</i>		Grievance mechanisms	Relevant countries**
Employee relations	Workforce	<i>Responsible supply chain</i>	
Impact of reorganisation	Workforce	Safety and sustainability requirements for procurement	Group, suppliers
Workforce diversity	Workforce		
<i>Resource efficiency</i>			
Water management*	North America onshore		
Chemicals	USA onshore, Norway offshore		

*Material in countries where we are the operator for producing assets.

**Material for some countries, based on local context and the nature of our operations (relevant countries included in the report).



3 Climate change and energy supply

Statoil is one of the world's most carbon-efficient oil and gas producers. We expect and are preparing for higher carbon costs, stricter climate regulations and competition from low-carbon technologies.

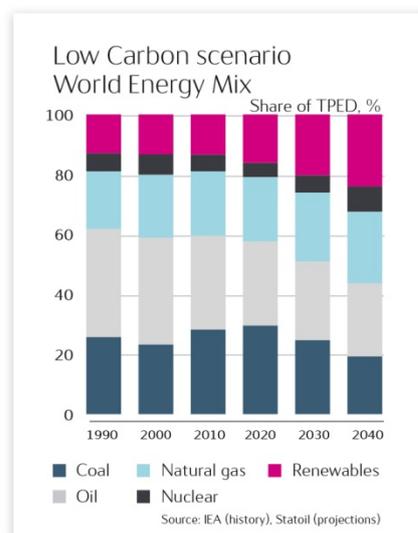
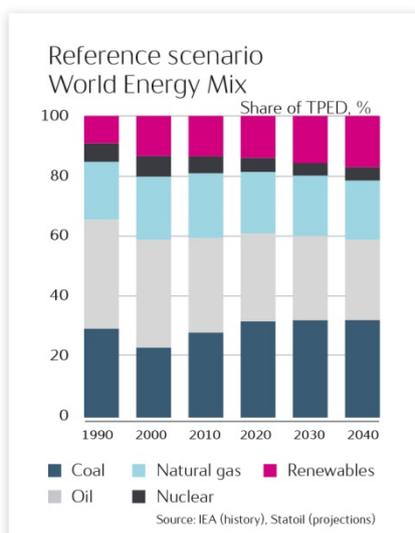
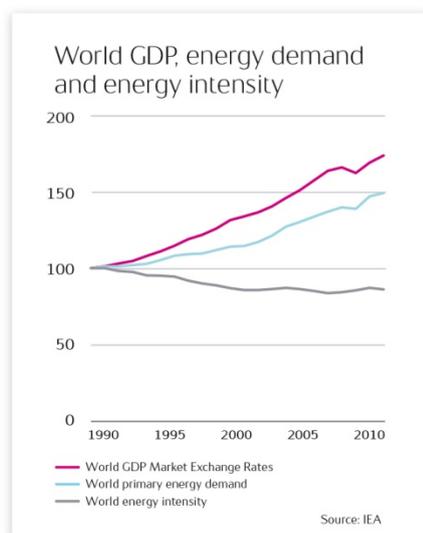
Energy perspectives

Oil and gas will be an important part of the energy mix for decades to come. In its World Energy Outlook 2014, the International Energy Agency (IEA) projects global energy demand to rise by 37% by 2040, and the world's energy supply mix to be divided into four almost-equal parts: oil, gas, coal and low carbon sources. Other projections, such as the *Massachusetts Institute of Technology 2014 Energy and Climate Outlook*, give similar results; but with a somewhat smaller share for non-fossil energy.

In our *Energy Perspectives 2014* report, we analyse three different scenarios for the period from 2011 to 2040 to illustrate the major uncertainties in modelling long-term developments:

- The *Reference Scenario*, where already decided energy and climate policies, as well as ambitions and targets, and our forecasts on likely developments in policy measures are the starting point for the modelling.
- The *Low Carbon Scenario*, where more comprehensive energy and climate policies are applied to incentivise a more rapid increase in energy efficiency, green growth and technology development.
- The *Policy Paralysis Scenario*, where protectionism and geopolitical rivalry lead to lower growth, a less green energy mix and lower energy efficiency.

In the *Reference Scenario*, we foresee a gradual greening of the energy mix, but with demand for all fossil fuels continuing to grow. Consequently, global CO₂ emissions continue to grow until oil and coal demand is expected to peak around 2030. The *Low Carbon Scenario*, on the other hand, projects a significantly lower energy demand and greener energy mix than the *Reference Scenario*, and 24% lower energy related CO₂ emissions than today. Even in the *Low Carbon Scenario*, however, oil and gas demand is higher than what can possibly be produced from existing oil and gas reserves, and investments in new oil and gas production are needed.



Source: Statoil Energy Perspectives 2014, available at www.statoil.com.

TPED: Total Primary Energy Demand



Our position on climate change

Statoil acknowledges the scientific consensus on human-induced climate change, and supports the efforts of the United Nations and its member states to agree on and implement necessary climate measures to prevent dangerous manmade interference with the climate system. We have endorsed **key advocacy positions** that inform our climate advocacy efforts:

- Climate policy measures should be predictable, transparent and internationally applied in order to avoid carbon leakage, ensure cost effectiveness and create a level playing field in global markets.
- A price on greenhouse gas emissions based on the emitter pays principle should be the preferred climate policy framework.
- Multiple regulations of greenhouse gas should be avoided.
- Climate policy measures should be technology and fuel-neutral to maximise innovation through market competition.

How we work to be more carbon efficient

Our ambition is to be 'recognised as the most carbon efficient oil and gas producer'. Our activities to support this ambition can be grouped under the following three headings:

Maintaining a competitive carbon footprint in our own operations

- We have set ambitious targets for carbon intensity per production segment and flaring intensity for 2020.
- Our key performance indicator 'CO₂ emission reductions' is designed to drive cost-effective emission reduction initiatives.
- We apply an internal price on carbon in our investment decisions (see *Climate risk and 'unburnable carbon'*).
- We are actively working to reduce methane emissions and emissions from flaring.

Technology advances for low-carbon energy

- As the second largest supplier of natural gas to Europe, we provide energy that offers a significant opportunity to reduce emissions. Natural gas emits about 50% less CO₂ than coal and can effect significant, immediate emissions reductions when it replaces coal.
- We are investing in offshore wind and carbon capture and storage. We have been a global leader in carbon capture and storage since 1996 and we continue to pioneer research and implementation within this area.

Collaborating and advocating for cost-effective climate and energy policies

We work with governments, companies, peer companies in our industry sector and civil society organisations to facilitate the development of viable global policies and regulatory frameworks.

- We actively advocate international measures that put a price on carbon which reflects the real impact of emissions. In the EU, we have publicly declared our support for the approved 40% greenhouse gas emissions reduction target by 2030 and a significant strengthening of the *EU Emissions Trading Scheme*.
- We are working with the World Bank and the International Emissions Trading Association through *The Partnership for Market Readiness*, to contribute to development of well-designed carbon pricing schemes in many countries.
- Recently, we sharpened our focus on collaborative efforts to address global methane emissions (see *Managing methane emissions*).
- Together with GE, we have initiated a joint technology-focused programme to pursue industrial solutions designed to reduce the environmental impact of oil and gas production. More information about the collaboration is available at our website (<http://www.statoil.com/en/TechnologyInnovation/PoweringCollaboration>).



Kårstø processing plant, Norway. Photograph: Manfred Jarisch.



Climate risk and 'unburnable carbon'

Over the past few years, the concepts of 'unburnable carbon', 'stranded assets' and a 'carbon bubble' have gained the attention of several of our stakeholders, including investors, academics and the media. The premise is that the amount of hydrocarbons (oil, gas and coal) in place in various deposits throughout the world by far exceeds what can be burned from a climate change point of view. The debate about 'unburnable carbon' relates to the limits, defined by science, to future emissions of greenhouse gases before we pass a critical threshold value for irrevocable climate change.

The term 'carbon budget' has been coined to refer to the amount of carbon dioxide it is possible to emit while still having a likely chance of limiting the average global temperature rise to two degrees Celsius above pre-industrial levels. According to the International Panel on Climate Change (IPCC), this 'budget' will be exceeded in some 30 years unless more stringent mitigating policies are put in place. Fossil energy resources that will not be developed as a consequence of such policies are referred to as 'unburnable carbon'.

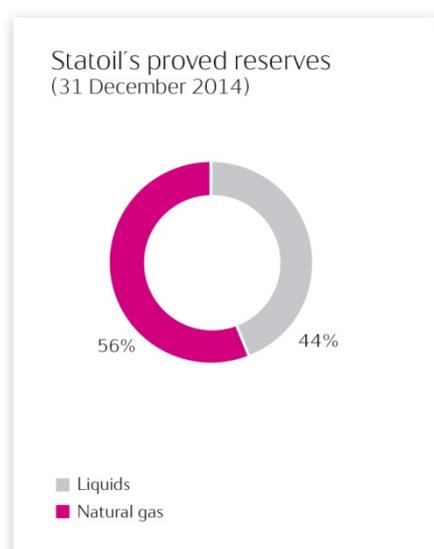
The 'carbon bubble' theory is based on the assumption that fossil fuel companies are overvalued because a large share of their resources will not be developed in a low carbon future, which is assumed to have stringent climate regulations and a market preference for competing technologies and energy sources. However, the value of oil and gas companies is mainly based on expectations on profitability of current projects and proved reserves over the next 10-15 years. Proved reserves account for a low percentage of the resource base by volume, but they form the basis for valuation of oil and gas companies. 'Probable' and 'possible' resources that may not be produced have limited impact on the value of oil and gas companies.

Our view is that there will be, and should be, further restrictions on greenhouse gas emissions. Consequently, not all fossil fuels resources can be produced and burned. However, it would be rational if coal consumption is more significantly constrained than oil consumption, and in particular gas consumption, in a 'carbon constrained' world. Coal is the most carbon-intensive fossil fuel, with twice the CO₂ footprint of natural gas. Substituting coal by gas wherever possible would not be sufficient to ensure sustainability as defined by the IPCC, but it would contribute to the attainment of internationally agreed emission reduction targets. This view is reflected in the *Low Carbon Scenario* in Statoil's *Energy Perspectives 2014* and is shared by the IEA and most other energy sector observers.

Managing climate risks and incorporating a cost on carbon

Climate change has drawn considerable management attention at Statoil in recent years, and we expect this situation to continue as science develops further and as political responses continue to be matured and implemented. Both our Corporate Executive committee and Board of Directors frequently discuss the business risks associated with climate change. The issue is treated in a systematic way in our daily operations and risk system.

We expect *emission costs* to increase from current levels beyond 2020, and also to have a significantly wider geographical range than today. We regularly assesses how the development of (new) technologies and changes in regulations, including the introduction of stringent climate policies, may impact the oil price, the costs of developing new oil and gas assets, and the demand for oil and gas.



Proved reserves of bitumen represent less than 2% of Statoil's proved liquids reserves.

We incorporate a *cost on carbon* in the assessment of all new projects. This practice guides our strategy and our investment decisions. For investment decisions pertaining to oil and gas projects in Norway, we include an internal cost of approximately USD 65 per tonne of CO₂-equivalent (carbon dioxide and methane), based on the cost of the Norwegian offshore CO₂ tax (NOK 500 per tonne of CO₂). In 2014, we decided to apply an internal cost of 50 USD per tonne of CO₂-equivalent in our investment decisions for all new oil and gas projects outside of Norway, for all years after 2020.

All Statoil *facilities* are designed to withstand the additional stress caused by sustained climate change. For instance, all main load bearing structures are designed to survive a 10,000 year storm, i.e. an extreme storm that is only expected to occur once every 10,000 year. Emergency preparedness and response plans are required to cover, among other elements, a plan for responding to relevant potential hazards and accidents for the actual location and geography, including extreme weather conditions.



Managing methane emissions

Addressing methane emissions is one of the most effective short term climate measures we can implement, and a pre-requisite for ensuring that gas is seen as a credible part of the future low carbon energy mix. The IPCC report estimates that methane emissions have 28 times higher global warming potential than carbon dioxide over a hundred year period, and 78 times higher over a twenty year period. Up to 20% of global methane emissions are attributed to the oil and gas industry, and the share is expected to grow.

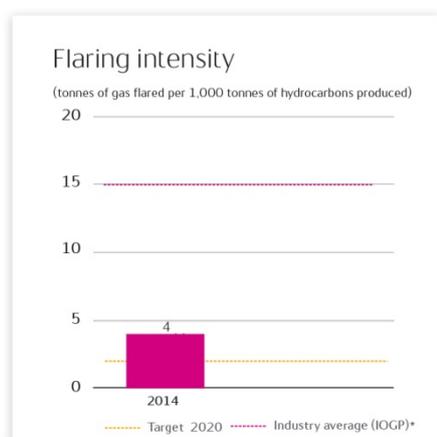
In 2014 Statoil joined the Climate and Clean Air Coalition (CCAC) *Oil and Gas Methane Partnership* as a founding partner. The CCAC is led by the United Nations Environment Programme and consists of 28 country partners and other key institutions. Through the *Oil and Gas Methane Partnership*, the CCAC intends to work with leading oil and gas companies to achieve substantial global methane and black carbon emission reductions. As a member company, Statoil is committed to surveying selected assets, evaluating emission reduction opportunities and reporting annually on actual and planned achievements. In 2015, Statoil will submit an implementation plan to the CCAC.

To specifically address fugitive methane emissions from our US onshore operations, we participated in a study led by the University of Texas and the Environmental Defense Fund (EDF), performing field measurements of various methane emissions sources⁴. Based on this study, we developed an internal programme designed to mitigate fugitive methane emissions. To further increase our understanding of these emissions, we joined a research coalition with the National Oceanic and Atmospheric Administration, the National Renewable Energy Laboratory and the Colorado School of Mines on a study that will perform emissions measurements.

In 2014, we joined an industry-government collaboration with the Norwegian Environmental Agency to improve documentation of fugitive methane emission sources, assess quantification methods and identify emission reduction opportunities for offshore installations on the Norwegian continental shelf (NCS). The outcome of the study will form the basis for future action plans and regulation regarding methane management and reporting for Norwegian offshore facilities. In 2014, 11 Statoil-operated facilities were assessed, and in 2015 the remaining Statoil-operated assets on the NCS will undergo a similar assessment.

Preventing flaring

Flaring of associated gas is a considerable source of CO₂ emissions from the oil and gas industry. It is estimated that around 140 million tonnes of gas is flared globally each year (the World Bank, 2014: *Zero Routine Flaring by 2030* initiative⁵). Statoil's total annual flaring is approximately 0.6 million tonnes of flared hydrocarbons, of which safety flaring constitutes over 60%. Our flaring represents roughly 0.5 percent of the global total and is among the lowest in the oil and gas industry, compared to production.



*The International Oil and Gas Producers (IOGP), 2014: *Environmental Performance Indicators (2013 data)*.

Preventing unnecessary flaring is a priority for Statoil. We aim to avoid continuous production flaring in our own operations, as far as practical. In 2012, as part of our commitment to the UN *Sustainable Energy For All* initiative, we announced a 2020 flaring intensity target of 2 tonnes of gas flared per 1,000 tonnes of hydrocarbons produced. Through our collaboration with the *Global Gas Flaring Reduction* partnership, a World Bank initiative that aims to eliminate global flaring by 2050, we have set an additional target of bringing down continuous production flaring to zero by 2030.

Reducing flaring is a challenge for our onshore shale operations at Bakken, USA, due to lack of available infrastructure to capture associated gas. As new wells are being drilled, the flaring challenge continually moves from area to area. To overcome this, we are working together with neighbouring partners and technology providers to identify and develop flaring reduction solutions. We support the state of North Dakota's established target to reduce flaring to less than 10% of produced gas by 2020.

While the long-term solution is infrastructure development, we are also working on short-term solutions. In 2014, we tested the *Last Mile Fuelling Solution*, a joint venture between GE and Ferus Natural Gas Fuels, at Bakken. Where implemented, natural gas that would otherwise be flared, was captured and used to substitute about 40% of the diesel needed in drilling activities, reducing both cost and emissions. Future development of this solution could potentially be applied in other shale operations.

With solid flaring performance in Norway, and flaring reduction plans in the USA well underway, we expect to meet our 2020 flaring commitment. In Norway, close proximity to gas infrastructure and markets has created favourable conditions for achieving low production flaring levels. In 2014, the flaring intensity (including safety flaring and production flaring) for our operated upstream activities was 4 tonnes of hydrocarbons flared per 1,000 tonnes of hydrocarbons produced.

⁴ www.engr.utexas.edu/news/releases/methanestudy



Low carbon technologies

Improving energy efficiency

Enhancing energy efficiency is closely linked to reducing CO₂ emissions from our operations. Through energy efficiency improvements, we combine emissions reductions with production efficiencies and cost savings. This is described in the section *CO₂ emissions reductions*.

Carbon capture and storage (CCS)

Our engagement in carbon capture and storage (CCS) and carbon utilisation is an integrated part of our business. We see CCS as the main technology for decarbonising fossil fuels, whereas CO₂ utilisation may provide future business opportunities.

We would like to contribute to the development of commercial scale CCS projects, and we continue to enhance our knowledge and experience through ongoing research and operating activities. Carbon capture technology programmes are currently being conducted at the Technology Centre Mongstad. We have installed CCS technology on the Sleipner platform and at the Snøhvit subsea facility in Norway. The Gudrun field was tied back to the Sleipner platform in 2014, thus allowing for additional carbon dioxide separation and injection. The accumulated volume of carbon dioxide separated from Statoil's operations and injected into underground storage exceeded 20 million tonnes in 2014.

In addition, we are investigating carbon reuse opportunities, related both to enhanced oil and gas recovery and to conversion to fuel and chemical technologies.

Offshore wind

Renewables are an important part of the future energy mix. Our renewable energy strategy focuses on offshore wind, where we can leverage our core competencies. Wind power is expanding in markets where government policies provide incentives for investment.

Our offshore wind portfolio includes a 40% ownership share in the *Sheringham Shoal Offshore Wind Farm* (317 megawatt installed capacity) and a 35% ownership share in the *Dudgeon Offshore Wind Farm* (planned 402 megawatt capacity), both in the UK. The Dudgeon Offshore Wind Farm represents a GBP 1.5 billion investment (Statoil's investment share is NOK 5.5 billion) and will provide renewable energy for approximately 410,000 households in the UK. Construction of the onshore substation started in 2014. In addition, we were awarded a 25% share in the UK Third Round *Dogger Bank* concession in 2010 together with our Forewind consortium partners. Consent for the first two Dogger Bank projects is expected to be granted in 2015.

The cutting-edge *Hywind* prototype, located 10km off the Norwegian west coast, features the world's first full-scale floating offshore wind turbine. Hywind has been in production for five years. We plan to use Hywind technology for a small wind-farm off the coast of Scotland (*Hywind Scotland*), and we are involved in ongoing feasibility studies for the use of this technology off the coast of Japan.

Transportation

We have around 90 vessels in daily operation for oil and gas transportation. Energy efficiency is becoming increasingly important for us when selecting suppliers and vessels for product transportation, and we have entered into long term charter contracts for 14 new so-called 'eco-design' vessels to be delivered in the next few years. We work closely with our suppliers to be prepared for stricter environmental regulations and explore new technologies for improved energy efficiency.

In 2014 we continued our *Green logistics* improvement programme to achieve more energy efficient vessel transport and helicopter services on the Norwegian continental shelf. Our goal is to reduce CO₂ emissions from these activities by 10% from 2011 to 2015. In 2011, these emissions were approximately 460,000 tonnes of CO₂. Adjusted for activity level, emission reductions of about 10% have been achieved so far.



Climate targets and performance

The climate performance data represent total figures from Statoil-operated assets, unless otherwise stated. In 2014, the total production from our operated assets was 997 mboe, compared to 974 mboe in 2013. Our production in Norway represented 93% of our operated production in 2014 and therefore had the most significant impact on our group level climate performance.

2020 carbon intensity targets

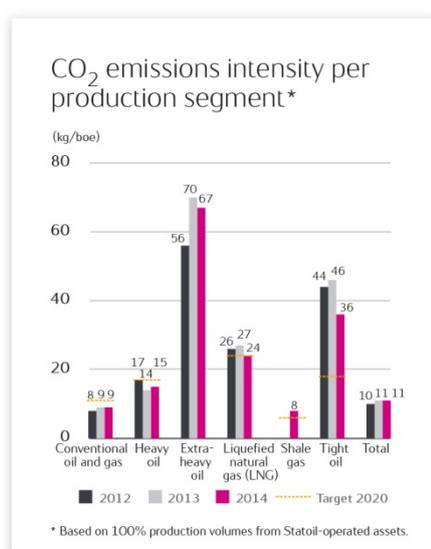
In 2012, we established carbon emissions intensity targets for 2020 for our operated assets. A segment-based approach was chosen to make industry comparisons possible and because carbon intensity varies significantly between production segments. Our targets are long-term and reflect the ambition to be an industry leader in carbon efficiency. Comparing our targets with the performance of comparable fields, where possible, we believe that our targets are ambitious, but achievable.

Carbon intensity is also linked to the life-cycle of fields. In the initial phase, carbon intensity is typically higher due to start-up challenges. When production has stabilised, the carbon intensity decreases. As the field ages, the carbon intensity gradually increases due to, among other factors, a decline in production and increase in produced water.

Initiatives to reduce carbon intensity may take years to mature and implement. For some segments, we expect that the carbon intensity will remain stable or even increase before reduction initiatives yield results. It should also be noted that changes in our asset portfolio and production disturbances can affect the result for a particular year. This is particularly relevant in segments where we have few assets. The targets are subject to significant uncertainties because they relate to events and circumstances that will occur in the future.

In 2014, we developed a target for our new production segment **shale gas**. We revised the target for **heavy oil**, because the original target (11kg CO₂/boe) was based on inaccurate assumptions. We preliminary removed the target for **extra-heavy oil** due to the delay of the Corner project (Canada). The previous target of 50kg CO₂/boe was a projection for the portfolio of assets Statoil expected to have within extra-heavy oil, and not for the Leismer project (Canada) alone. Leismer is the first phase of our oil sands development and intended to pilot new research and technologies.

Production segment	Assets	2020 climate target
Conventional oil and gas	Statoil-operated assets on the Norwegian Continental Shelf	11kg CO ₂ /boe
Extra-heavy oil, including oil sands (<10 API)	Leismer, Canada	Not applicable (removed)
Heavy oil (22,3-10 API)	Peregrino, Brazil and Mariner, UK	17kg CO ₂ /boe (revised)
Liquefied Natural Gas (LNG)	Hammerfest LNG, Norway	24kg CO ₂ /boe
Shale gas	Marcellus and Eagle Ford, USA	6kg CO ₂ /boe (new)
Tight oil	Bakken, USA	18kg CO ₂ /boe



Carbon intensity performance

Our 2014 performance demonstrates that we are well underway to meeting our 2020 carbon intensity targets. Our overall carbon intensity was 11kg CO₂/boe, which is significantly lower than the industry average intensity of 17kg CO₂/boe.⁶

The carbon intensity for **conventional oil and gas** remained stable at 9kg CO₂/boe. The carbon intensity for **extra heavy oil** improved to 67kg CO₂/boe in 2014.

For **heavy oil**, the carbon intensity increased slightly from 14 kg CO₂/boe in 2013 to 15 kg CO₂/boe in 2014, due to an increase in produced water. The carbon intensity is expected to increase over the next years due to an increase in produced water at Peregrino (Brazil) and the start-up of Mariner (UK) in 2017.

We achieved a carbon intensity for **LNG** of 24kg CO₂/boe, due to stable production and consequently more efficient operations.

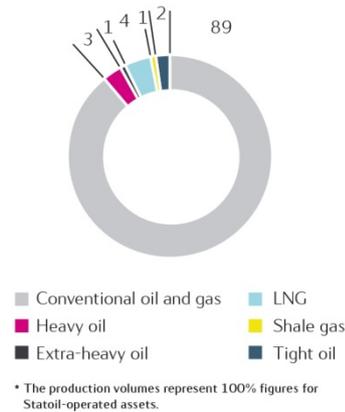
The carbon intensity for **shale gas** was 8kg CO₂/boe. Towards 2020, the carbon intensity for this segment is expected to decrease due to reduced flaring intensity.

For **tight oil**, the carbon intensity improved significantly from 46kg CO₂/boe in 2013 to 36 kg CO₂/boe in 2014, mainly due to more associated gas being captured and consequently less gas being flared. For more information about how we work to improve carbon efficiency in this segment, see the *Preventing flaring* section.

⁶ The International Oil and Gas Producers (IOGP), 2014: *Environmental Performance Indicators (2013 data)*.



Share of production per segment 2014* (%)

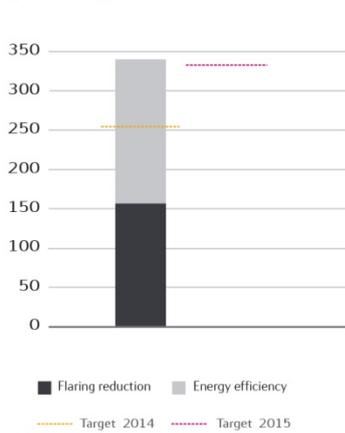


Carbon dioxide emissions reductions

In order to measure progress towards our 2020 carbon intensity targets, a new 'carbon dioxide emissions reductions' key performance indicator was implemented in 2014. The indicator measures emissions reductions to be achieved through targeted projects, all with a positive net present value. The purpose of the indicator is to stimulate innovation and enhance the focus on emissions reductions in addition to cost savings. The indicator measures estimated emissions reductions at an early stage in the project decision process. Our experience so far is that most initiatives identified early in the project process are being implemented and emissions reductions realised.

Emission reduction initiatives fall into two categories: energy efficiency initiatives and initiatives to reduce flaring. Energy efficiency initiatives are projects designed to improve the utilisation of energy in energy intensive processes, such as reducing the volume of diesel needed to execute a process or activity. Initiatives to reduce flaring are largely related to development of infrastructure that allows for capturing of associated gas.

CO₂ emissions reductions 2014 (thousand tonnes)



For our operations at the Norwegian Continental Shelf, we are committed to delivering energy efficiency measures achieving a total effect of 800,000 tonnes CO₂ saved from 2008 up to 2020, as part of the oil and gas industry's collaborative *Konkraft* target. More than 630,000 tonnes accumulated reductions had been achieved by the end of 2014.

Our target for CO₂ reductions in 2014 was 250,000 tonnes. Throughout the year, we identified potential savings of 339,000 tonnes of CO₂. 187,000 tonnes were related to energy efficiency initiatives and 152,000 tonnes were related to flaring reduction initiatives for our US onshore operations. The identified savings represented approximately 2% of our direct CO₂ emissions. The majority of the reported initiatives were implemented in 2014. For 2015, our target for identified CO₂ emissions reductions is 330,000 tonnes.



Helicopter landing at Snorre A, Norway. Photo: Harald Pettersen.



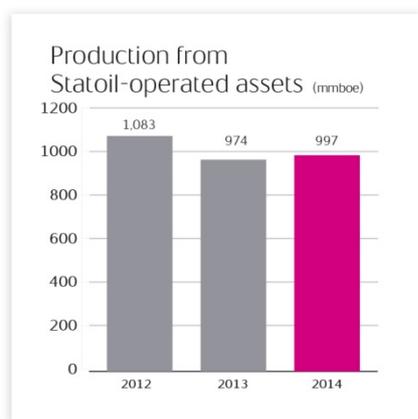
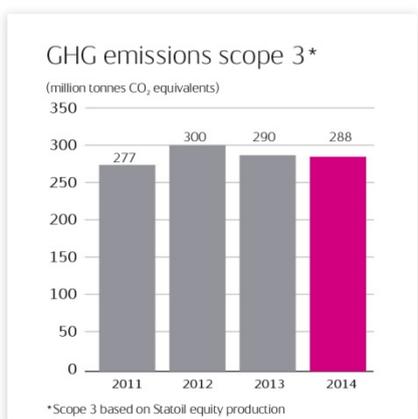
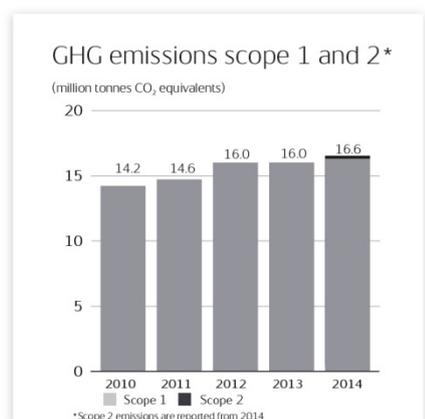
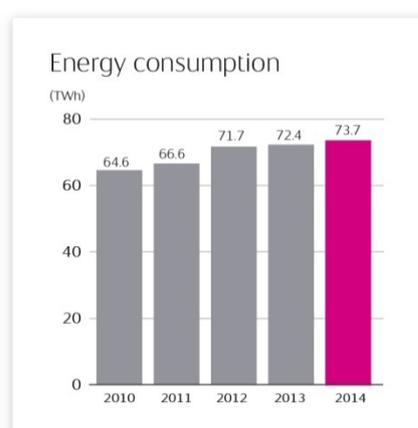
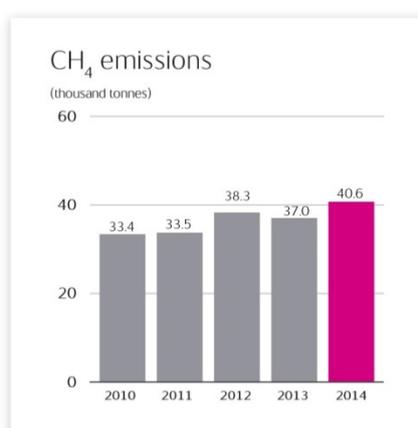
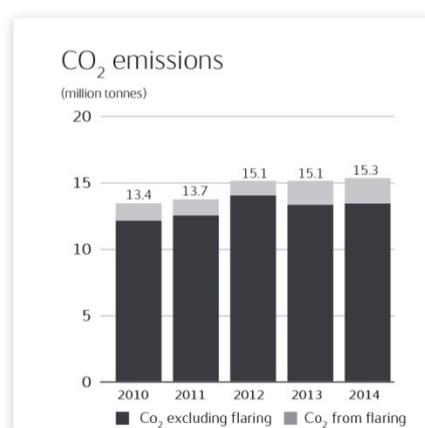
Greenhouse gas emissions performance

Emissions of carbon dioxide increased slightly from 15.1 million tonnes in 2013 to 15.3 million tonnes in 2014. The rise in emissions was mainly driven by increased production. In addition, the US onshore assets Eagle Ford and Marcellus were included in the reporting for the first time. Methane (CH₄) emissions increased from 37.0 thousand tonnes in 2013 to 40.6 thousand tonnes in 2014. The increase in methane emissions was partly caused by increased production and partly by the start-up of new fields.

Our direct (scope 1) greenhouse gas (GHG) emissions increased slightly to 16.3 million tonnes CO₂ equivalents from 2013 to 2014. GHG emissions include emissions of carbon dioxide and methane. Other greenhouse gases are not included, as these are assessed to be insignificant for Statoil. Scope 2 GHG emissions, which include emissions from energy imported from third parties, were 0.3 million tonnes CO₂ equivalents.

In 2014, we started reporting scope 3 GHG emissions. We evaluated the materiality and relevance of each of the 15 categories of emissions included in the IPIECA guidance for *Corporate Value Chain Reporting*, and identified emissions from consumers' use of our sold products as the most material category. This includes the oil and gas products that we refine or process and sell for third party consumption. Scope 3 emissions reflect our equity share of products sold.

In 2014, total energy consumption was 73.7TWh, an increase of 1.3TWh compared to 2013. The increase was mainly due to increased operated production, and the inclusion of new US assets in the reporting.



Emissions allowances and CO₂ tax

Our operations in Europe are subject to emissions allowances according to the *EU Emissions Trading System* (EU ETS). In 2014, over 85% of our total direct CO₂ emissions were related to our European operations. In addition to being part of the EU ETS, emissions from our activities in Norway are subject to CO₂ tax. In 2014, we paid NOK 3.4 billion in CO₂ tax in Norway. Other environmental taxes, including costs for CO₂ quotas, were NOK 0.7 billion.

Find out more online

More information about our climate position, ambitions and partnerships is available at www.statoil.com/sustainability. Information about innovation and low carbon technology development can be found at www.statoil.com/technologyinnovation.



4 Safety and security

Safety and security is our first priority.

Our approach

We strive to ensure safe and secure operations that protect people, the environment, communities and assets. We recognise that our industry is facing high scrutiny and public concern about the safety and security of our activities. It follows that sound performance in this area is a prerequisite for our long-term success.

We are working closely with industry peers on incident prevention and emergency preparedness. The energy industry is determined to learn from incidents so that we can prevent similar occurrences in the future. Our belief is that accidents can be prevented. Through monitoring activities, and by analysing our own incidents along with those of the energy industry at large, we ensure a dynamic approach to safety and security performance management. We recognise the risks associated with our business and are prepared to handle situations that require immediate action to save lives and protect people, the environment, facilities, equipment and any third parties who may be affected. To ensure we are always prepared, we hold regular emergency response drills and provide, for instance, travel security and hostage survival training.

Everyone working for us, and in the joint ventures we control, is required to comply with our safety and security standards and to intervene in unsafe situations. We want our employees to take an active part in mitigating security risks. We actively engage with the companies we contract with, as well as with the joint ventures we do not control, to encourage them to embed a strong safety and security culture in their workforces.

We are committed to providing a healthy working environment for our people and make systematic efforts to design and improve working conditions in order to prevent occupational accidents, work-related illness and sickness absence. We emphasise the psychosocial aspects (the combination of psychological and social factors) of the working environment, and promote the good health and well-being of all of our employees.

Safety and security performance

Our aim is to be an industry leader in safety and to avoid any major incidents. We aim to be recognised for our safety performance and to act as a driving force for improving the safety standards in our industry.

Accidents and incidents

The serious incident frequency (SIF) dropped from 0.8 per million hours worked in 2013 to 0.6 per million hours worked in 2014. Reaching our 2014 target for this key performance indicator represented a major improvement in safety performance. The main cause for serious incidents this year was insufficient understanding of risk. Total recordable injuries per million hours worked (TRIF) improved from 3.8 in 2013 to 3.0 in 2014. In the same period, TRIF for our employees decreased from 2.0 to 1.7 and TRIF for our contractors improved from 4.7 to 3.6. The lost-time injury frequency dropped significantly from 1.4 in 2013 to 1.1 in 2014. Regrettably, there were two fatalities among contractors working at Statoil-operated assets.

Serious oil and gas leakages

Oil and gas leakages represent a major accident risk, and as part of our risk management we closely monitor oil and gas leakages above 0.1kg/sec. In 2014, the leakage incident frequency declined from 1.6 to 1.1 incidents per month, compared to our target of 0.5. The most frequent cause of oil and gas leakages was technical failure due to aging, and the leakages occurred most often in valves and flanges.

We did not experience any serious well control incidents in 2014. This adds to a long-term positive trend for this key performance indicator.

In our view, safer behaviour prompted by our *Compliance & Leadership* programme made a significant contribution to improved safety results, and in particular to improving the serious incident frequency. The *Compliance & Leadership* programme is a structured way of working that focuses on understanding tasks, risks and requirements, in order to ensure the safe and efficient performance of any task. We consider it to be one of the most important tools for improving safety performance in the company. Employees and suppliers alike were trained in this programme in 2014. More information about the programme is available in the *Statoil Book* at www.statoil.com.

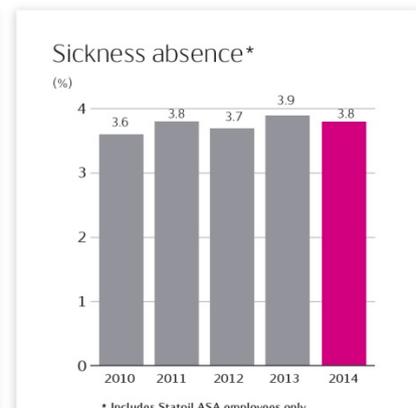
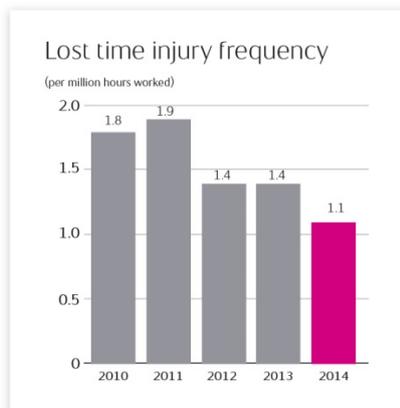
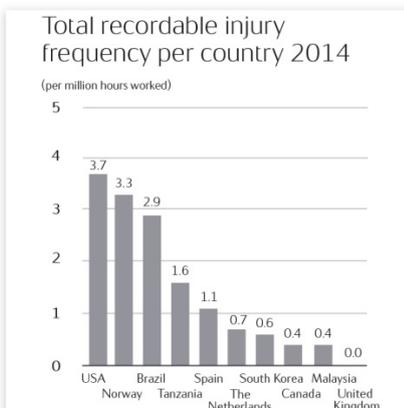
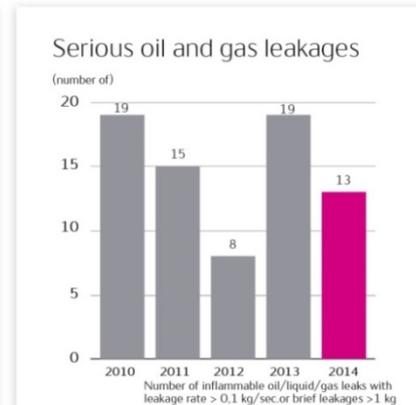
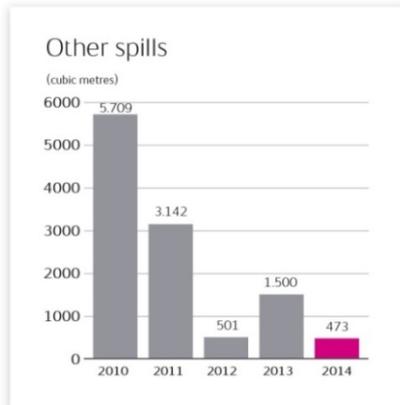
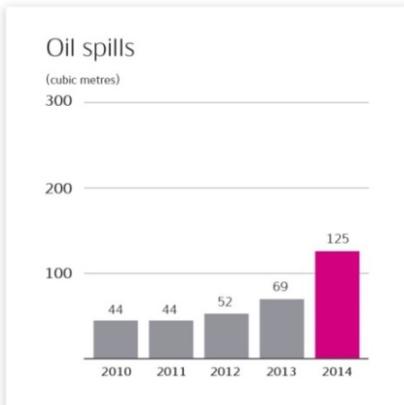
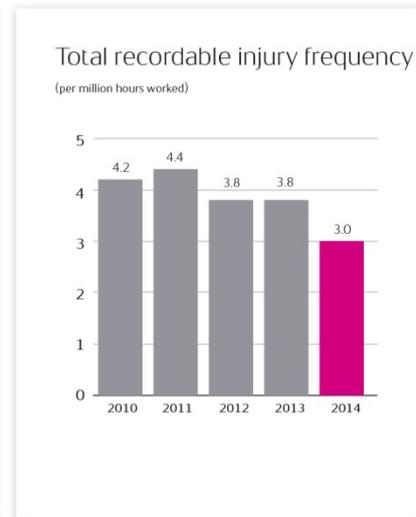
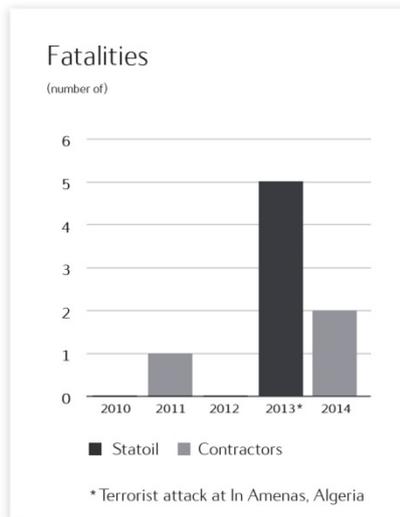
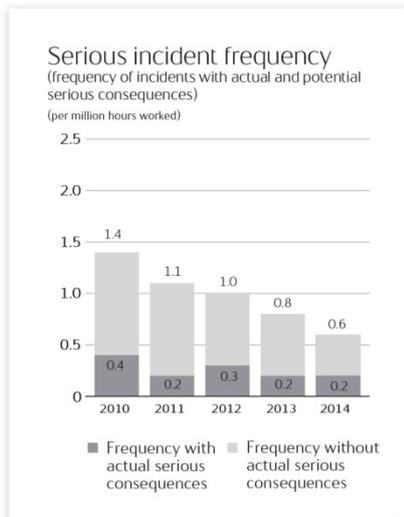
Going forward, further strengthening technical integrity and continuing the *Compliance and Leadership* programme will be priority areas within safety.



Accidental oil spills

We aim to prevent major accidental oil spills and address this through our four safety strategy areas. There was a minor decline in the number of accidental oil spills from 2013 to 2014. Despite this decline, however, the related volume of oil spills increased from 69m³ to 125m³ in the same period. Three large oil spills accounted for the major volume of oil spills: Statfjord C, Norway (40m³); Bakken, USA (34 m³); and Snorre A, Norway (33m³). The main causes for accidental oil spills were technical errors, equipment failure and inadequate inspection or maintenance programmes.

Efforts to reduce accidental oil spills include sustained focus on technical integrity and barriers, the continued improvement of our risk management processes, and the follow-up of areas of special concern in connection with accidental spills, such as firefighting foam systems and hydraulic fluid systems.





Health and working environment

We work proactively to reduce our workers' exposure to health risks and to manage psycho-social risks in our work environment. In addition, we assess and monitor the possible health effects of our activities on local communities. We include work related illness cases in our main indicator for measuring safety performance, SIF, so that the top management has a balanced view of safety, including significant health and working environment aspects.

Noise levels, ergonomic strains and psycho-social factors were the most significant causes of work-related illnesses in 2014. The sickness absence rate decreased from 3.9% to 3.8 % from 2013 to 2014.

In 2014, continued attention was given to collaboration with contractors to reduce noise exposure. Statoil continued to fund research projects on hearing protection and noise exposure and to share knowledge and tools as part of a noise reduction project initiated by the Norwegian Petroleum Safety Authority (PSA) and the Safety Forum. This project is chaired by the Norwegian Oil and Gas Association

Aiming high! in Brazil

Through the *Aiming high!* health, safety and environment programme, Statoil has collaborated with more than twenty suppliers delivering services to the Peregrino project in Brazil. The goal is to create a culture and leadership focused on preventing all incidents and injuries. After four years of implementation, we are pleased to see strong safety results.

Key activities in the programme are workshops to enhance supervisor skills, and annual summits for executive leadership and supervisors. A joint leadership team has been established, consisting of executives from Statoil and supplier companies. This ensures an aligned approach to technical and leadership challenges, as well as campaigns and activities. The *Aiming high!* programme has succeeded in creating and maintaining a working environment characterised by high leadership attention to safety performance management.

Safety-related fines

In 2014, Statoil paid a fine of NOK 0.5 million related to a safety incident at Njord (Norway) involving a falling object. The incident did not result in any personnel injuries.

Security performance

Following the tragic terrorist attack against the In Amenas facility in Algeria in 2013, there was a step change in our approach to security. The 19 recommendations given in the In Amenas investigation report, together with recommendations from other internal and external sources, formed the basis for our *Security Improvement Programme*, initiated in 2013. The programme was established to significantly strengthen our security capabilities and develop a stronger security culture throughout the company. The corporate unit for security and emergency preparedness is responsible for running the programme, which is expected to be finalised in 2015.

At Statoil, we apply a risk-based, intelligence led and holistic approach to security. In 2014, we continued to implement the security improvement programme. Significant activities included revision of security related governance requirements and training material, and publication of a new methodology for performing security risk assessments. Security professionals were employed and appointed throughout the company in accordance with the principle that operational security is exercised at the lowest organisational level that is possible and appropriate. Internal communication activities and leader workshops were organised to enhance security competence and awareness in the company. Additionally, we strengthened our networks with government bodies and oil and gas industry peers to further enhance our own and others' security capabilities. A cross-discipline security committee covering physical, information and personnel security ensures a holistic approach to security. In addition, functional networks have been established across the organisation to ensure efficient implementation and a standardised approach to security.

We conduct safety and security activities in accordance with applicable laws and internationally recognised human rights principles, such as the *Voluntary Principles on Security and Human Rights*. This is described in the *Human rights* section.

Find out more online

More information about safety and security is available in the *Safety* section at www.statoil.com. The *Compliance and Leadership* programme is described in the *Statoil Book*, available at www.statoil.com.



5 Transparency and anti-corruption

Transparency is a cornerstone of good governance. We have zero tolerance for corruption and aim to be open and transparent – so people can see what we do and the revenues we create.

Our approach

Our business generates significant revenues for governments. Transparency is vital to ensuring that the wealth derived from the energy we produce is put to effective and equitable use. Transparency allows businesses to prosper in a predictable environment, contributes to a level playing field and enables citizens to hold governments accountable. We were one of the first major oil and gas companies to voluntarily start disclosing payments to governments in the countries where we operate.

We believe that responsible and ethical behaviour is a prerequisite for sustainable business. We have zero tolerance for corruption. Our *Ethics Code of Conduct* is based on our values and reflects our commitment to high ethical standards in our business activities. We seek to develop relations with business partners that uphold a commitment to values and ethical standards similar to ours, and we work with our suppliers to ensure financial integrity in our joint operations.

Open is one of our four company values. Our aim is to work with industry, governments and civil society to fulfil our commitments in the countries where we operate. In 2014, we signed the anti-corruption initiative *Call to Action* by the United Nations Global Compact. The initiative is an appeal by the private sector to governments to address corruption and enhance good governance, as these aspects are fundamental pillars of a sustainable and inclusive global economy.

In addition to our revenue transparency disclosures, we aim to be open about other aspects of our sustainability performance. Our climate advocacy position is publicly available. We have disclosed our 2020 carbon intensity goals and annually report about our progress. In 2014, we focused on initiatives to strengthen the accuracy of methane emissions reporting. We joined the *Climate and Clean Air Coalition* and partnered with recognised research institutions in the USA to improve the methodology for estimating fugitive methane emissions. More information about these initiatives is available in the *Climate change and energy supply* section.

Revenue transparency

We were one of the first major oil and gas companies to voluntarily start disclosing payments to governments in the countries where we operate. It is a practice we intend to continue. We welcome initiatives to strengthen revenue transparency legislation, including disclosure of payments per project, as laid out in the EU Transparency Directive and in the similar Norwegian legislation that came into effect in 2014. However, a global standard for revenue disclosure would be even more welcome. For Statoil, it is important that revenue transparency regulation applies globally, is effective, and creates a level playing field for all companies, communities and governments.

New disclosure practice in 2014

For almost a decade, we have voluntarily disclosed payments to governments per country. A group level overview of payments to governments and other economic contributions to society in 2014 is available in the *Creating local opportunities* section in this report.

For 2014, we disclose payments to governments pertaining to our extractive activities per project in a separate report (*Statoil 2014 Payments to Governments* report, available at www.statoil.com), as required by the newly adopted Norwegian legislation. In addition to information about payments to governments, the report includes information regarding investments, revenues, purchases of goods and services and production volumes per country, a full list of subsidiaries and information about inter-company interest expenses.

The Extractive Industries Transparency Initiative (EITI)

We have supported the Extractive Industries Transparency Initiative (EITI) since its inception, and we respect and promote the EITI principles. The EITI is a coalition of governments, companies, civil society groups, investors and international organisations working together to promote globally developed standards for revenue transparency. The EITI standard implies that companies report what they pay to governments, and governments disclose receipts of payments. Tax and other relevant payments are reconciled in an EITI country report by an independent third party. EITI country reports are available at www.eiti.org.

We had activities in several EITI-implementing countries in 2014: Azerbaijan, Colombia, Indonesia, Mozambique, Nigeria, Norway, UK and the USA. In addition to disclosing the requested financial information, we provided USD 60,000 in financial support to the EITI and continued to be an alternate EITI board member on behalf of the constituency of companies. In 2014, Statoil was represented in the national EITI multi-stakeholder groups in Norway and Azerbaijan.



Ethics and anti-corruption

Anti-corruption compliance programme

Statoil is opposed to all forms of corruption, including facilitation payments. We have in place a company-wide anti-corruption compliance programme that ensures implementation of our zero-tolerance policy. The anti-corruption compliance programme entails mandatory procedures designed to comply with applicable laws and regulations, and training on relevant issues such as gifts, hospitality and conflict of interest. Compliance officers, who are responsible for ensuring that ethics and anti-corruption considerations are integrated into our business activities, constitute an important part of the programme.

Ethics Code of Conduct

Our *Ethics Code of Conduct* describes our business practice requirements and the behaviour we expect in areas such as anti-corruption, fair competition, conflict of interest and a non-discriminatory working environment with equal opportunities. Everyone who works for us, including employees, board members and others who act on Statoil's behalf, must follow this code. The code is available in local languages in the countries where we operate, and at www.statoil.com/ethicsandvalues.

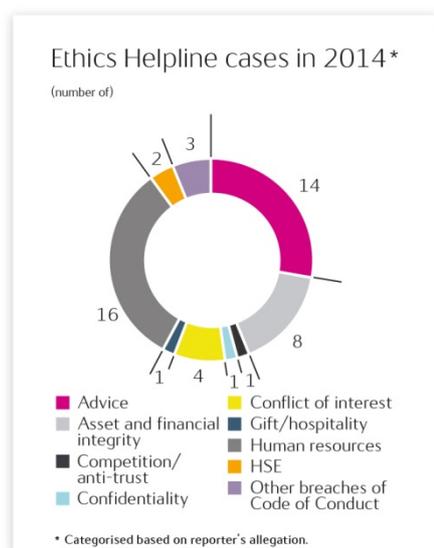
All employees have to confirm annually, in writing, that they understand and will comply with our *Ethics Code of Conduct*. The purpose of this confirmation is to remind the employees about their duty to comply with our ethical requirements and adhere to our values: open, transparent, hands-on and courageous. Disciplinary measures are in place for anyone working for us who does not comply with our code. This might entail summary dismissal or termination of their contract. We carry out *Ethics Code of Conduct* training and other more comprehensive training sessions on specific issues, such as anti-corruption and anti-trust, to explain how the code applies and to describe the tools we have made available to address risk.

Integrity due diligence

Our company-wide integrity due diligence process helps us to understand potential partners and suppliers, how their business is conducted and their values. Before entering into a new business relationship, or extending an existing one, the relationship has to satisfy our integrity due diligence requirements. More information about our integrity due diligence process is available in the *Anti-Corruption Program* manual, available at www.statoil.com/ethicsandvalues. See also *Working with our suppliers*.

Our progress in 2014

In joint ventures and business partnerships that are not controlled by us, we make good faith efforts to encourage the adoption of ethics and anti-corruption policies and procedures that are consistent with our standards. One of our priorities in 2014 was to develop and implement good practice tools and requirements for follow-up of non-operated joint ventures. Another focus area for our anti-corruption work was strengthening our compliance officer network.



The Ethics Helpline

We encourage our employees, and third parties interacting with us, to raise concerns and report any suspected or potential breach of law or company policies. We provide several confidential mechanisms for reporting concerns, including the Ethics Helpline which provides a 24-hour phone service and a web submission portal. The Ethics Helpline is set up to ensure confidentiality and to protect the rights of both the caller and the potential subject of a report. It enables a two-way communication between the caller and the company. In 2014, we opened our Ethics Helpline to external parties, after receiving a licence from the Norwegian Data Protection Authorities.

The Chief Compliance Officer provides a quarterly report to the Board of Directors' Safety, Security, Sustainability and Ethics Committee regarding the number of cases and potential substantial findings. In 2014 we received a total of 50 cases via the Ethics Helpline. Human resources related issues were the most commonly represented cases. These cases include issues involving the fair and dignified treatment of personnel and issues involving equal opportunities and the creation of a respectful, harassment-free workplace. During the last quarter of 2014, an internal campaign was run across the company, aimed at raising awareness on how to bring forward concerns and speak up.

Our employees are encouraged to discuss concerns with their managers, the People and Organisation function, their local compliance officer, or with our legal team. Consequently, the Ethics Helpline cases represent only a part of the total number of concerns reported to and handled by the organisation.

Find out more online

More information about ethics and anti-corruption is available at www.statoil.com/ethicsandvalues. The Statoil ASA 2014 Payments to governments report is available at www.statoil.com/annualreport2014.



6 Resource efficiency and environmental impact

We are committed to using resources efficiently and to avoid causing significant harm to the environment.

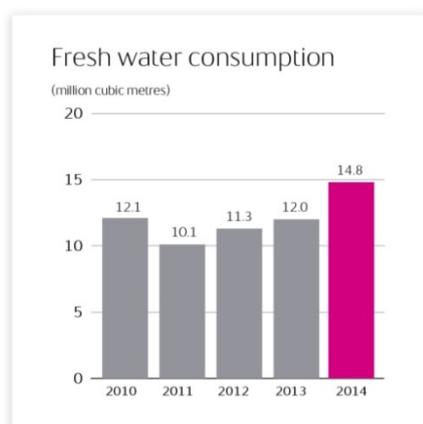
Our approach

We are committed to using resources efficiently, and reusing or recycling as appropriate. This reduces environmental impact and can also save costs. The sharper focus of investors on issues such as water, energy and land management reflects concerns about emerging costs, shortages and regulatory risks. Building on a strong legacy of energy efficiency in our operations in Norway, we are increasing our efforts on water management, especially in connection with our onshore operations in the USA and Canada.

Our aim is to avoid causing significant harm to the local or regional environment. We strive to apply high standards to waste management, emissions to air and impact on ecosystems – wherever we work. This includes integrating environmental and social risk management into our planning and decision-making processes, at all levels in the organisation. We apply the precautionary approach and a combination of corporate requirements and risk-based local solutions to manage our environmental performance.

Our performance

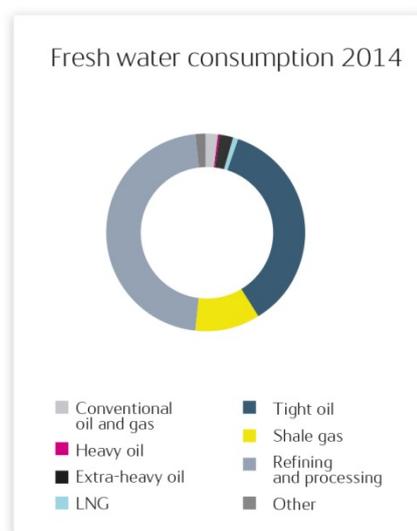
The following environmental performance data represent the total figures from Statoil-operated assets. Our production from Statoil-operated assets increased from 974 mmbœ in 2013 to 997 mmbœ in 2014. Statoil performed better than the industry average on all environmental indicators covered in the International Oil and Gas Producers' annual environmental survey in 2014⁷. Our waste and nitrogen oxide (NO_x) emissions performance relative to production improved in 2014. However, increased onshore activity in the USA drove an increase of freshwater consumption, and operational challenges at our Kalundborg refinery (Denmark) and increased diesel usage at Peregrino (Brazil) caused increased emissions of sulphur oxide (SO_x). Discharges of oil to water increased, largely driven by an increase in produced water due to operational challenges and aging fields on the Norwegian continental shelf.



Water management and fresh water consumption

Most of our operations are located offshore, where desalinated water is used to a large extent. Our manufacturing and processing operations in Denmark and Norway, where fresh water is abundant, account for almost half of our total fresh water consumption. Due to increased onshore activities in the USA, the fresh water consumption increased from 12.0 million cubic metres in 2013 to 14.8 million cubic metres in 2014.

We recognise stakeholder concerns and water management challenges related to our oil sands and shale activities. At our oil sands operations in Canada, we are working to increase our use of brackish water to supplement and reduce the use of fresh water. We have set targets aimed at reducing the fresh water intensity of our oil sands operations by 45% by 2020. More information is available in our Statoil Canada 2014 Oil Sands Report.



Water management in our shale operations

In our shale activities, we promote the responsible use of water, from sourcing to disposal. Even in areas of adequate water supply, water efficiency remains a priority and we minimise water usage and prioritise non-potable sources when possible. We seek to protect groundwater sources by securing well-integrity through the deployment of rigorous technical and operational standards.

Our approach includes:

- Evaluating local conditions and circumstances and working with local water authorities to find suitable water sources
- Assessing local needs to avoid disruptions to communities
- Conducting environmental evaluations to identify sensitive areas and wetlands
- Disclosing chemical additives through the FracFocus database (www.fracfocus.org) and evaluating chemicals
- Utilising water pipelines when possible to reduce truck traffic and road damage
- Seeking ways to limit the use of fresh water through measures such as water recycling

⁷ The International Oil and Gas Producers association (IOGP), 2014: *Environmental Performance Indicators (2013 data)*.



In 2014, we successfully tested a new technology using 100% produced water on two wells in collaboration with Schlumberger at Bakken (*'The Bakken water pilot'*). The objective of the pilot was to develop and test technologies that can contribute to limiting freshwater consumption. This is achieved by using produced water as a substitute for freshwater in hydraulic fracturing. The technology may also yield an additional benefit to the community due to reduced truck traffic. The test project was unique among operators in the Bakken area and involved collaboration with several service companies and the state regulatory authorities. Going forward, we will assess production performance, complete ongoing laboratory studies and determine best practices for the application of this technology.

Chemicals

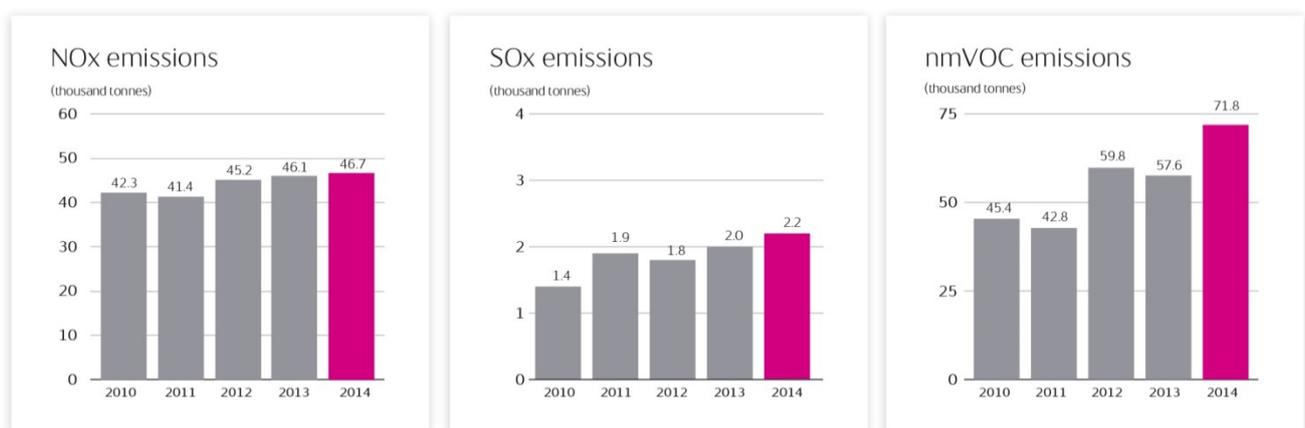
We are aware of stakeholders concerns regarding the use of chemicals in hydraulic fracturing processes in our shale activities. To promote transparency, we publicly disclose the chemicals used in our US onshore operations through *FracFocus* (www.fracfocus.org). We used 26.1 thousand tonnes of hydraulic fracturing chemicals in 2014.

In 2014, a priority for our US operations was to implement Statoil's chemical management programme. This entailed registration of the chemicals used, followed by a health, safety and environmental assessment and hazard ranking by Statoil's Chemical Centre. The assessments and hazard rankings are used to categorise chemicals so that those potentially more harmful are further evaluated for risks to people and the environment. If risk evaluations determine that risks are low due to nominal concentrations or application method (i.e. closed loop system), then planned usage may continue. Chemicals with high risks that cannot be reduced are reviewed with the supplier for substitution for lower risk products. Research and development efforts provide additional opportunities to use chemicals with lower risks to people and the environment. More information about the chemicals used in our shale activities is available in *the Drilling and hydraulic fracturing fact sheet* at www.statoil.com.

For our offshore activities in Norway, fluorinated fire-fighting foams have been identified as chemicals of special concern, as these contribute to harmful chemical footprints in nature. Over the last few years, Statoil has collaborated with the foam supplier industry to contribute to the development of less harmful foams, adapted to use in harsh offshore environments. We plan to substitute all fire-fighting foams containing 1% fluoro components used on our fixed installations on the Norwegian continental shelf with less harmful chemicals by the end of 2015.

Air emissions

NO_x emissions increased from 46.1 to 46.7 thousand tonnes in 2014. The increase was partly driven by the inclusion of Eagle Ford (USA). SO_x emissions increased from 2.0 thousand tonnes in 2013 to 2.2 thousand tonnes in 2014. Total emissions of non-methane volatile organic compounds (nmVOC) increased from 57.6 thousand tonnes in 2013 to 71.8 thousand tonnes in 2014. The rise in emissions is due to a change of the factors used to estimate emissions for our operations in Norway, applicable from 2014⁸.

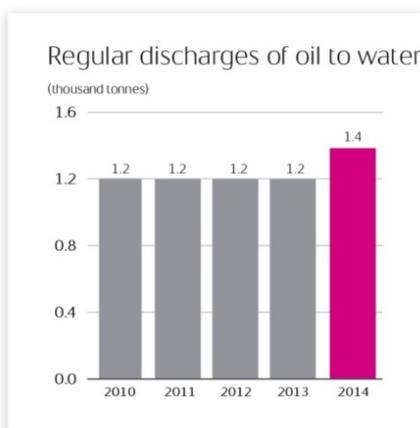
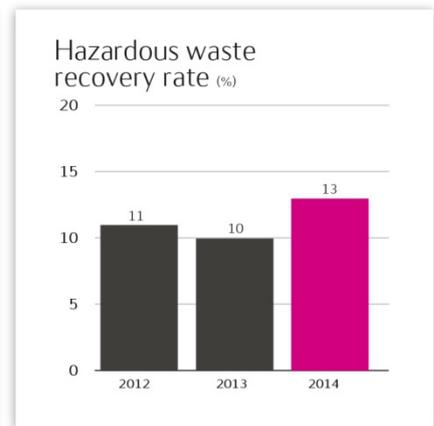
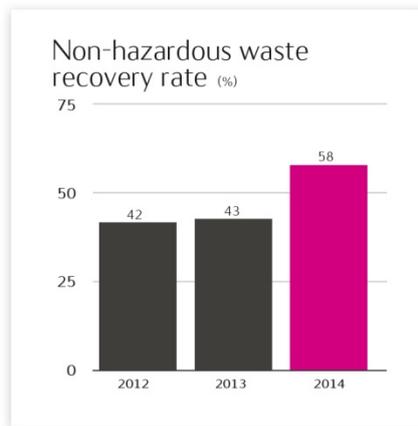
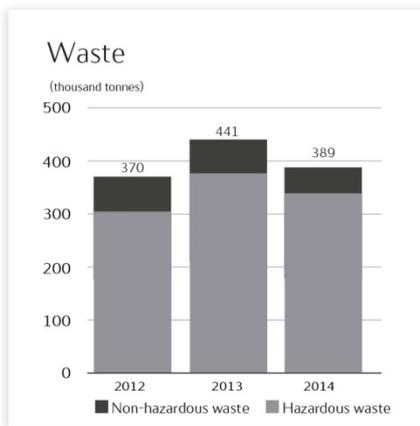


Waste

In 2014, the volume of total waste declined from 441 thousand tonnes in 2013 to 389 thousand tonnes in 2014. The non-hazardous waste recovery rate improved to 58%, and the hazardous waste recovery rate increased to 13%.

Our US onshore operations generate wastes in the form of drill cuttings and produced and flow-back water. In the USA, these exploration and production wastes are exempt from regulation as hazardous wastes. Consequently, these wastes have not been included in the total waste and waste recovery figures below. In 2014, drill cuttings and other solids for landfill for our US onshore operations were 203 thousand tonnes, and produced and flow-back water from deep-well disposal was 4 million cubic metres.

⁸ The factor is reviewed annually as a part of the industry initiative *Norwegian VOC Industry Cooperation (VOCIC)*.



Discharges of oil to water

Regular discharges of oil to water were 1.4 thousand tonnes in 2014. The principle source of discharges of oil to water is the residual oil in produced water discharged from our offshore installations in Norway, which accounted for 99% of the total volume discharged in 2014.

Biodiversity and ecosystem services

We are concerned with valuing and protecting biodiversity and the ecosystem, and we follow precautionary rules and regulations to minimise potential negative effects of our activities, especially during seismic data acquisition. We support research programmes to increase knowledge about ecosystems and biodiversity, and we collaborate with our suppliers to minimise invasive aquatic species and reduce risks pertaining to accidental spills related to shipping transportation.

In 2014, Statoil continued to be an active participant in a joint Biodiversity Working Group of IPIECA (the global oil and gas industry organisation for environmental and social issues) and the International Oil and Gas Producers Association (IOGP). This cooperation has resulted in the development of specific tools and recommendations for industry best practice. We support the maintenance and development of the *World Database on Protected Areas* and other GIS-based databases containing information on high-value biodiversity areas through the Proteus programme, which is run by the United Nations Environment Programme (UNEP) World Conservation Centre. We use these databases actively in environmental risk and impact evaluations.

In 2014, two of our operations were located within or adjacent to areas of high biodiversity value:

- *Marcellus, USA*: Two types of endangered species affect our projects in Marcellus. These are bats, which restrict the time of year we can clear trees, and mussels, which impact surface water supply locations.
- *Leismer, Canada*: The woodland caribou in the oil sands region is categorised as a threatened species in Canada. We are implementing a mitigation and monitoring programme to reduce the effects of our activities on local woodland caribou. The programme sets objectives, metrics and performance targets for caribou habitat availability and connectivity as well as animal mortality. More information about the programme is available in the *Statoil Canada 2014 Oil Sands Report*.

Other significant monitoring activities in 2014 included continued development of an integrated environmental monitoring concept in collaboration with Kongsberg Maritime, Kongsberg Oil and Gas Technologies, IBM and Det Norske Veritas, and successful first use of new seabed mapping technology (Ecotone) at Snøhvit in the Barents Sea. We applied a state-of-the-art approach and sampling equipment when drilling in areas with cold water corals, such as at Snilehorn and Smørbukk North in the Norwegian Sea.



Responsible operations in the Arctic

Our operational activity in the Arctic and sub-Arctic is currently focused on the relatively ice-free areas in the Norwegian Barents Sea and offshore Newfoundland, Canada. We have taken long-term positions in other Arctic basins and these are being matured for future exploration. In 2014 we safely carried out a significant exploration programme in the Norwegian Barents Sea. Stakeholder interest in our activity in the region remains high.

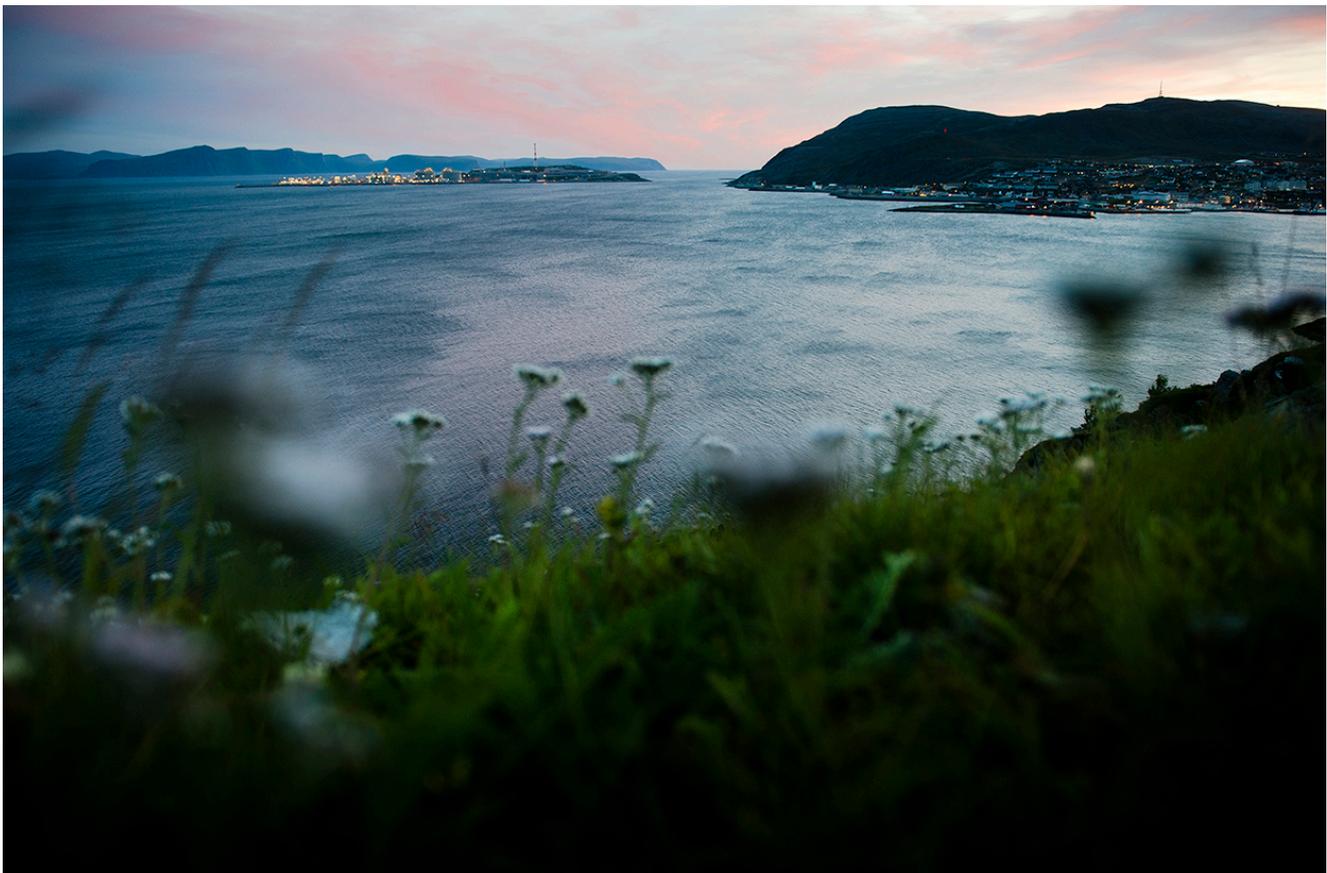
We pursue a step-wise approach to our Arctic activities. We have divided our offshore Arctic approach into three separate categories: the workable, the stretch and the extreme. The extreme category is a distant future option. It comprises the part of the Arctic covered in ice most of the year. The workable category covers areas that are mostly ice-free. The stretch category comprises seasonally ice-free areas where some level of new technological development is needed.

Oil spill response challenges in the Arctic are related to extreme cold, ice-covered waters, the darkness of winter, and the limited access to clean-up resources. Prevention is our primary focus but, in the event of an oil spill, we ensure that the response is robust, efficient and well-adapted to local conditions.

We are committed to the development of Arctic resources in a safe and responsible way. Our approach is to not to move faster than technology allows. In order to achieve this objective, we have a dedicated focus on research and development for Arctic environments. This includes partnerships with universities and research institutions, focusing on increasing knowledge about the eco-system and technology development. An example is the *Arctic Response Technology Joint Industry Programme* that aims to further build on existing research and improve the technologies and methodologies applying to oil spill response in the region.

Find out more online

More information about our activities in the Arctic is available in the *Our operations* section at www.statoil.com. Environmental impact assessments are available at www.statoil.com/sustainability. Fact sheets about our US onshore operations are available in the *Shale activities* section at www.statoil.com. Environmental performance pertaining to our oil sands activities is described in more detail in the *Statoil Canada 2014 Oil Sands Report* (available at www.statoil.com, April 2015).



Hammerfest LNG, Melkøya, Norway. Photo: Ole Jørgen Bratland.



7 Creating local opportunities

We help transform the natural resources of countries and communities into revenue, competencies, infrastructure and jobs.

Our approach

We contribute to economic development locally through the taxes and other contributions we pay to governments; the services and goods that we buy from local suppliers; the staff that we hire and develop; and the investments we make in our host communities.

Energy-rich countries expect to participate in oil and gas-related activities. Through our core business activities and the resulting benefits, we aim to build trusting relationships and create benefits for both our shareholders and the countries and communities in which we operate. We aim to recruit locally and provide attractive training opportunities that build local capacity and skills. Additionally, we contribute to local communities through community investments, largely focusing on building local capacity and supporting science, technology, engineering and mathematics education.

As part of our commitment to creating lasting local value, we established an internal requirement in 2014 that a **country sustainability plan** should be established for all countries in which Statoil has business activities. A country sustainability plan should entail an overview of significant sustainability risks relevant to our operations in the country, and the corresponding mitigating actions. The purpose of such a plan is to facilitate co-ordination across business entities and alignment on the approach to managing country specific sustainability risks, including stakeholder relations. The process to establish country sustainability plans started in 2014, and our ambition is to establish such plans for all relevant countries by the end of 2015.

Stakeholder engagement

Stakeholder engagement is a central element of our commitment to create lasting local value. We work with communities in the countries in which we have business activities to enhance the benefits and manage the potentially adverse impacts of our activities. We use public consultations, surveys, interviews, town hall meetings and community panels to manage our impact on communities and understand how we can contribute. A corporate reputation tracker that includes sustainability and ethics themes is run regularly.

We contributed to the development of the *Community Engagement Guidelines*, published by the American Petroleum Institute in 2014. The guidelines were approved by the American National Standards Institute (ANSI) and represent a first-of-its-kind resource for US onshore operators.

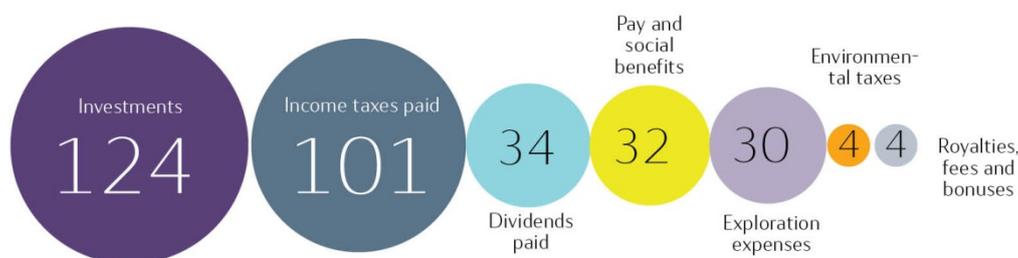
Economic impact

We aim to meet the world's energy needs by creating long-term value for both our shareholders and the societies and economies in which we operate. In 2014, our economic contributions included NOK 124 billion in investments, NOK 101 billion in direct taxes, NOK 33 billion in host government entitlement, NOK 4 billion environmental taxes and NOK 4 billion in bonuses, royalties and fees.

Transparency is vital to ensuring that the wealth derived from the energy we produce is put to effective and equitable use. More information about our payments to governments can be found in Statoil's *2014 Payments to governments* report.

Economic contributions

(NOK billion)





Twelve months ended 31 December 2014											
(in NOK million, except number of employees)	Investments (1)	Revenues (2)	Purchase of goods and services (3)	Taxes (4)	Host government entitlement (5)	Bonuses (6), royalties (7), fees (8)	Environmental fees (9)	Voluntary community investments (10)	Contractual social contributions (11)	Pay and social benefit (12)	Number of employees (13)
Algeria	1,569	3,922	28	1,568	3,524	0	0	0	0	22	26
Angola*	10,574	25,388	772	4,871	18,081	0	0	2	0	41	42
Australia	0	0	409	0	0	3	0	0	0	0	0
Azerbaijan	6,398	8,684	60	1,289	8,778	0	0	0	0	32	46
Bahamas	87	237	81	0	0	0	0	1	0	47	65
Belgium	0	0	80	0	0	0	0	1	0	126	86
Brazil	3,666	8,283	4,558	50	0	1,183	0	3	4	573	280
Canada	7,141	7,404	2,698	2	0	785	0	9	8	669	397
Denmark	185	28,430	1,329	0	0	0	9	0	0	348	367
Faroe Islands	0	2	239	0	0	19	0	9	0	11	7
Germany	57	577	865	0	0	0	0	0	0	62	41
Indonesia	8	3	15	0	0	2	0	0	0	23	22
Ireland	1,220	186	108	0	0	0	0	0	0	7	3
Libya	77	645	4	278	314	0	0	0	0	8	7
Mozambique	0	1	144	0	0	0	0	0	0	0	0
Netherlands	29	1,958	5,821	0	0	0	0	0	0	18	13
Nigeria	1,608	7,934	27	2,948	1,873	360	0	1	0	43	12
Norway	60,333	499,150	121,956	89,704	0	649	4,085	123	0	27,892	19,670
Russia	503	1,349	40	137	729	0	0	2	0	33	43
Singapore	0	26	87	0	0	0	0	0	0	48	37
Sweden	0	18,681	845	16	0	0	0	0	0	0	0
UK	6,576	1,328	6,835	87	0	11	0	13	0	658	348
Tanzania	2,013	0	3,086	0	0	0	0	1	0	9	30
USA	21,702	98,883	18,484	246	0	712	2	19	0	1,836	913
Venezuela	0	29	30	0	0	0	0	0	0	25	30
Other	641	6	17,137	1	0	1	0	7	0	16	31
Eliminations**	0	(106,256)	0	0	0	0	0	0	0	0	0
Total	124,387	606,850	185,738	101,195	33,299	3,725	4,095	193	12	32,543	22,516

* Statoil paid NOK 107 million pertaining to our commitment under the Kwanza concessions in Angola for 'bonuses and social contributions' for 2014. This commitment entailed contributions to social projects, the *Sonangol Research and Technology Center* and Sonangol's personnel training programs. The figures are not reflected above as the payments were made on 31 December 2013. The installment was due 1 January 2014.

** Elimination of intra-group sales. Sales between Statoil companies within same country have been excluded.

The following payments are reported on cash basis (reported the year the payment is made): Taxes, production entitlements, bonus payments, royalties, fees, environmental fees, voluntary community investments and contractually required social contributions.

- (1) Investments are defined as additions to property, plant and equipment (including capitalised finance leases), capitalized exploration expenditures, intangible assets, long-term share investments and investments in associated companies. Negative numbers represent reversal of previous years' estimates or other adjustments.
- (2) Revenues associated with sale and transportation of crude oil, natural gas, petroleum products and other merchandise. Statoil markets and sells the Norwegian State's share of oil and gas production from the NCS. The proceeds from the sale of the State's share of oil production are included in Revenues. For more information on revenues, see Statoil's Annual report on form 20-F.
- (3) Purchase of goods and services are based on the total amount of purchased goods and services per country, based on vendor invoice address. Part of the cost is charged to partners in activities we operate. Does not include the purchase of petroleum products, or goods and services other operators have purchased on our behalf.
- (4) Taxes levied on the income, production or profits of companies, including payments in-kind. Taxes levied on consumption such as value added taxes, personal income taxes, sales taxes, withholding taxes, property taxes and environmental taxes are excluded.
- (5) Production entitlements are the host government's share of production after oil production has been allocated to cover costs and expenses under a production-sharing agreement. The total amount of NOK 33,298 million represents a volume of 57.3 million barrels of oil equivalent (mmboe), split as follows: Algeria 19.7 mmboe; Angola 61.7 mmboe; Azerbaijan 34.7 mmboe; Libya 17.6 mmboe; Nigeria 17.6 mmboe; Russia 14.5 mmboe and Venezuela 6.7 mmboe.
- (6) Bonus payments for extractive activities, including signature, discovery and production bonuses. Administrative bonuses, e.g. employee bonuses, are not included.
- (7) Royalties are usage-based payments for the on-going use of an asset.
- (8) Fees are typically levied on the right to use a geographical area for exploration, development and production and include rental fees, area fees, entry fees, and severance taxes and concession fees.
- (9) Environmental fees include taxes imposed on our CO₂, NO_x and SO_x emissions as well as costs to purchase CO₂ quotas.
- (10) Voluntary community investments include social investment projects and sponsorships and donations with a public benefit. Statoil's own costs in conjunction with following up activities are excluded.
- (11) Contractually required social contributions.
- (12) Includes salaries, pension costs, and payroll taxes paid by the company.
- (13) Number of permanent employees per location at the end of the year, based on where the employing company is registered. Expatriated staff is registered in home country and since there is a net expatriation from Norway, actual staff working in some countries can be higher than stated, and lower for Norway.



Working with our suppliers

Our suppliers contribute significant value to us, to our partners, and to our customers. We are committed to using suppliers who operate consistently in accordance with our values and who maintain high standards of safety, security and sustainability in our joint operations.

Managing safety, security and sustainability in the supply chain

Safety, security and sustainability aspects are incorporated in all phases of our procurement process. All potential suppliers must meet our minimum requirements in order to qualify as a supplier. These requirements include safety, security and environmental criteria. Based on a risk assessment, additional human rights and labour standards criteria may be included in the qualification process.

All potential suppliers for contracts valued at more than NOK 7 million are required to sign our *Supplier Declaration*, which establishes minimum standards for ethics, anti-corruption, security, health and safety, and commits our suppliers to respect human rights and to promote these principles among their own sub-suppliers. The Supplier Declaration is available at www.statoil.com.

Additionally, following a risk-based approach, suppliers are screened for material integrity risks, and if relevant, subjected to a more extensive integrity due diligence review, which includes human rights.

We require a supplier follow-up strategy, based on risk, to be established after a contract has been awarded. Our expectations regarding safety, security and sustainability are communicated to the supplier in the contract start-up meeting, and throughout the contract period. We perform monitoring activities such as follow-up, verifications and audits to manage identified risks.

Improving safety, security and sustainability requirements for suppliers

In 2014, we strengthened and simplified our safety, security and sustainability requirements for suppliers with the following measures and tools:

- A new guide for assessing safety and social responsibility risk factors in the supply chain was developed
- Ethics, anti-corruption and social responsibility aspects were enhanced in our pre-qualification questionnaires
- We strengthened safety and sustainability aspects in our supplier follow-up process
- Our *Supplier Declaration* was updated to better reflect internationally recognised sustainability standards and guidelines
- We established new work processes for assessing local content requirements
- We conducted more than 100 supplier qualifications assessing safety, security and environmental criteria

To implement the new tools and requirements, we focused on awareness raising and training of employees. Standard presentations of safety, security and sustainability requirements were developed for internal and external use. Training on supply chain related human rights issues was provided for employees in relevant procurement roles. In addition, we conducted a thorough assessment of how we manage human rights risks in the supply chain, with the purpose of identifying improvement areas and actions. The conclusions and proposed actions for 2015 were presented to and endorsed by the Corporate Executive Committee and the Board of Directors' Safety, Sustainability and Ethics Committee.



Peregrino A platform, Brazil. Photo: Øyvind Hagen.



Local content

Hiring and buying goods and services locally creates jobs, and builds and enhances local capacities and capabilities. We make substantial purchases in connection with the development and operation of our activities. In 2014, the invoiced value of goods and services purchased was over NOK 185 billion.

Our ambition is to contribute to the socio-economic development of communities where we have long-term development activities. We take a cooperative approach to local value creation, and we bring stakeholders together to find mutual benefits and lasting solutions to common challenges, and to manage expectations. Solutions must be relevant to our business needs and local conditions and comply with our values, policies and local regulations. They may include local procurement of goods and services, direct and indirect local employment, local infrastructure development and local capacity development.

Examples of how we contributed to local content in 2014 include:

- Our business activity in Tanzania is an example of how we endeavour to create local value. In the period from 2010 to 31 December 2014, the estimated spend with Tanzanian registered companies was some NOK 5.9 billion, 77% of the total procurement spend in Tanzania during the period. This has resulted in local job creation, skills development and tax revenues.
- In Brazil, we achieved 56% local content for our Peregrino field development, which is well above the 35% target commitment we have made to the Brazilian government. Partnerships with other oil companies have been key to achieving the result, both in terms of mapping local capacity through the supplier register CadFor, and to develop the local industry through the collaborative *Local content through innovation* programme.
- As the biggest employer and operator within our industry sector in Northern Norway, Statoil has significant influence on the development of the local supplier industry. According to the *Levert 2013* report⁹, launched in 2014, the petroleum related supplier industry in Northern Norway achieved a record turnover with deliveries worth NOK 4.7 billion in 2013. More than 2,800 full time employees were employed to provide these services. The report concludes that local suppliers increasingly have succeeded in securing major contracts for the largest petroleum industry projects in Northern Norway, including significant assignments to the Aasta Hansteen and Polarled projects.

Share of local procurement per country in 2014*

In-country procurement (%)	Countries
0-25%	UK
25-50%	Angola
50-75%	Brazil, Denmark
75-100%	Canada, Norway, Tanzania, USA

*Based on supplier (invoicing party) country address. The list represents countries where Statoil is the operator (production/refining), and countries where Statoil has exploration, production or refining activities combined with procurement costs over NOK 1 billion per country.

Local workforce

We are an international company with an international workforce. In the countries where we operate, we are committed to attracting and retaining local employees. We aim to recruit locally and provide training opportunities that build local capacity and skills.

We use expatriates instead of local hires when there are particular business needs or individual career development reasons for this. Expatriates are important for our international operations, but they comprise a small proportion of the workforce. We expect our expatriates to work with local leaders to ensure a transfer of learning and competence, and we focus on identifying and developing local replacement or successors for the expatriates.

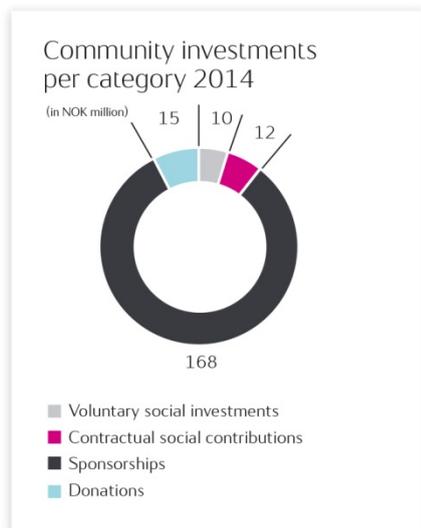
Many of our expatriates in the UK are assigned to projects managed by our business partners and suppliers that use the UK as a base. For this reason, the share of local employees in the UK is lower than in other countries in the overview. More information about diversity in our workforce is available in the *People and organisation* section in this report.

Local workforce in 2014*

	Brazil	Canada	Denmark	Norway	UK	USA
Local employees (%)	89	89	99	100	67	88
Local managers (%)	81	83	94	94	66	78

*The table includes countries where Statoil has more than 100 employees and is the operator for production or processing activities.

⁹ The Levert 2013 report is published by Bodø Science Park and is available at www.kpb.no (in Norwegian).



Community investments

Our community investments entail sponsorships, donations and voluntary and mandatory social investment projects. Building local capacity and supporting science, technology, engineering and mathematics education are drivers for several of our community investments.

In 2014, we spent NOK 193 million on so-called voluntary community investments (sponsorships, donations and voluntary social investments) and NOK 12 million on contractual social obligations.

A large part of our sponsorships fall in under the *Academia* programme, entailing long-term partnerships with academic institutions, and the *Heroes of Tomorrow* programme, focusing on support to science, education, culture, arts and sports. We sponsor the FIRST LEGO League, Teach First Norway and many of Norway's science centres as part of the Heroes of Tomorrow programme and STEM (science, technology, engineering, mathematics) strategy.

We make social investments to strengthen local capacities, address social risk factors, and promote transparency and respect for human rights. A large part of our voluntary social investment projects focus on local education and competency development, and include collaboration with higher education and vocational training centres.

One example of how we support educational efforts is our collaboration with the *Angola Norway Tanzania Higher Education Initiative* (ANTHEI), a partnership between universities in Angola, Norway and Tanzania. The goal is to increase the capacity and expertise in geoscience and petroleum engineering through the establishment of MSc and PhD programmes in Angola and Tanzania. Statoil is an active participant in the programme and provides financial and in-kind support. Currently, Statoil is supporting 15 Angolan, 1 Mozambican and 30 Tanzanian students. So far, 20 Angolan and 10 Tanzanian students have completed their higher education with our support.

Find out more online

More information about stakeholder engagement, sustainability risk management and local value creation is available in the *Sustainability* section at our web page (www.statoil.com/sustainability). Our efforts to support science, technology and education are more thoroughly described in the *Careers* section (www.statoil.com/career) and *Sponsorships* section at www.statoil.com. Information about our community investments in Canada is available in the Statoil Canada 2014 Oil Sands Report, available at www.statoil.com (April 2015).



Opening of the Newton room in Stavanger, Norway. Photo: Harald Pettersen.



8 Human rights

We are committed to respecting human rights.

Our approach

We are present in parts of the world where human rights and decent working conditions may not be protected or are weakly enforced by the authorities.

Our commitment to respect human rights is based on the *International Bill of Human Rights* and the International Labour Organization's (ILO) 1998 *Declaration on Fundamental Rights and Principles at Work*. We follow the United Nations (UN) *Global Compact Principles* and the *Voluntary Principles on Security and Human Rights (VPSHR)*. We strive to conduct our business operations consistently with the *UN Guiding Principles on Business and Human Rights* and the *OECD Guidelines for Multinational Enterprises*.

Following a risk-based approach, we assess human rights aspects and potential impacts of our ongoing activities and new business opportunities in order to avoid adverse impacts on individuals and nearby communities potentially affected by our operations. Our human rights efforts cover topics such as community impact, labour standards and security. Human rights aspects are incorporated in our annual monitoring plans, as relevant, based on risk.

We expect our suppliers and partners to commit to performing work in accordance with our standards and ethical values when working for us and with us. Information about human rights and the supply chain is available in the *Working with our suppliers* section in this report.

Human rights performance

In 2014, we continued our efforts to implement our commitment to respect human rights consistently with the *UN Guiding Principles on Business and Human Rights* and our values and policies. Key initiatives included:

- Incorporating 'respect for human rights' as a central element in our new sustainability strategy and enhancing these aspects in the management system, including corporate risk management, project risk assessment and investment decision review.
- Initiating a process to review human rights commitment statement.
- Establishing a corporate framework for, and continuing implementation of, site-level community grievance mechanisms.
- Assessing how we manage human rights risks in the supply chain and identifying improvement measures. The conclusions were endorsed by the Corporate Executive Committee and the Board's Safety, Security, Sustainability and Ethics Committee (see *Working with our suppliers*).
- Developing and applying tools for improved follow-up of human rights impacts in operated and non-operated business partnerships.
- Continuing our active participation in joint industry initiatives, such as the *Business and Human Rights Project* at IPIECA (the global oil and gas industry association for environmental and social issues).

Training

In 2014, we provided human rights training to a number of employees and contractors in procurement, technical and security roles in specific countries and projects. In addition, human rights training was included in the learning portfolio of our corporate university (LEAP). More concerted human rights training efforts are planned to be undertaken through LEAP in 2015.

Grievance mechanisms

Community grievances are primarily addressed through regular contact with the communities and by compliance with any formal grievance-handling procedures required by the regulatory authorities. In addition, as part of our commitment to operationalise the UN Guiding Principles on Business and Human Rights, we assess the need for establishing operational site-level grievance mechanisms based on local context.

In 2014, we developed a corporate framework for site-level community grievance mechanisms and continued implementing such mechanisms for our operations in Brazil, Tanzania, the USA and relevant exploration activities. This work is part of our participation in a joint industry initiative by IPIECA on developing grievance mechanisms specific to the oil and gas industry. As the site-level grievance mechanisms were implemented during the course of the year, grievance data for 2014 is not included in this report.

Information about our *Ethics Helpline*, which is available to employees and external parties, can be found in the *Transparency and anti-corruption* section.



Human rights and security

The use of security forces may represent a particular human rights risk in situations where security services are not well regulated or security guards are not adequately trained. We conduct safety and security activities in accordance with applicable laws and internationally recognised human rights principles, such as the *Voluntary Principles on Security and Human Rights*.

Statoil is an active participant in the *Voluntary Principles on Security and Human Rights Initiative* and strives to respect and implement these principles in our operations. Our commitment to the principles is reflected in our policies and procedures for risk assessment, deployment, training and follow-up of private and public security providers in high-risk locations.

We seek to ensure that our security providers commit to respecting human rights in a manner consistent with our own policies and standards. Prior to procuring security services, we include human rights criteria as part of pre-qualification screening, integrity due diligence and contractual provisions and clauses, as appropriate. Where needed, our security providers are given training that is commensurate with their duties.

In 2014, Statoil used armed security services provided by the local government in Tanzania and Nigeria. Human rights training was provided in each case. In addition, such training was provided for unarmed guards and security personnel protecting our operations in Algeria.

Indigenous people

In some of our business activities, we have an interface with indigenous peoples. It is important for Statoil to respect indigenous peoples' rights and traditions. We engage in dialogue to obtain feedback that enables us to incorporate relevant aspects into our business decisions and to promote development opportunities for indigenous people. We are prepared to listen, learn and to be open about our activities and ensure that we understand the local context and conduct our business in a respectful manner.

In 2014, we had dialogues with indigenous communities in Alaska, Australia, Canada and New Zealand:

- In Alaska, we continued the analysis of collected information on the traditional knowledge about the effect of noise on marine mammals from the local Inupiat people in the Chucki Sea communities.
- In Australia, we worked with the Central Land Council, which represents the local aboriginal people, when completing an onshore drilling campaign in the Northern Territory.
- In Canada, we continued to connect with local communities, including First Nations and Metis communities, through consultations, the Local Opportunity Centre (LOC), bulletins, and memberships in the industry relations groups of the First Nations and Métis organisations. More information is available in the *Statoil Canada 2014 Oil Sands Report*.
- In New Zealand, we engaged in local stakeholder meetings with the Maori regarding our new exploration licenses in the Reinga basin.

Involuntary resettlement

None of our projects in 2014 involved the involuntary resettlement or relocation of people. These factors are included in our project selection, risk assessments, and project planning, and we aim to avoid such situations.

Site selection process in Tanzania

In Tanzania, Statoil (operator of offshore block 2) conducted a thorough site selection process in 2013 for a potential onshore liquefied natural gas processing and export facility on the east coast of Tanzania in cooperation with BG Group Plc. (operator of offshore blocks 1, 3 and 4). The site recommended to the Tanzanian government minimises the need for economic and physical displacement and has other environmental, social, socio-economic and technical advantages compared to the other sites. As of the end of 2014, no decision had been announced by the Tanzanian government regarding the site selection.

Find out more online

More information about our approach to human and labour rights is available at www.statoil.com/sustainability. For more information about how we assess human and labour rights risks in the supply chain, see the *Working with our suppliers* section of this report.



9 People and organisation

Our overall strategic objective is to build a globally competitive company which is an exceptional place to perform and develop.

Our approach

We are committed to attracting and selecting the right people and providing opportunities for people to grow. Through global development and deployment we seek to offer challenging and meaningful job opportunities. We focus on creating a caring and inspiring working environment, valuing diversity and promoting equal opportunities for all employees.

Our global *people policy*, coupled with our values and code of conduct, is the most important guideline shaping our approach to people and organisation. This policy is available in the Statoil Book at www.statoil.com.

Attraction and recruitment

In 2014, we were ranked the most attractive employer among engineering and business students in Norway (*Karrierebarometeret*) and maintained our status as the employer of choice in Norway among students and professionals in the business and engineering fields (*Universum* survey). The global networking tool LinkedIn identified Statoil as number 90 on the list of the most attractive employer to potential candidates in their LinkedIn Most InDemand Employers 2014 ranking.

The intake of apprentices in Norway is an important part of the company's recruitment of skilled workers. This demonstrates our commitment to the education and training of young technicians and operators in the oil and gas industry. In 2014, apprenticeships were awarded to 135 new students; of these were 36 women. The total number of apprentices was 315 as of 31 December 2014.

Reorganisation and efficiency programmes

As part of our efforts to reduce costs and improve efficiency, reorganisation and change processes have been initiated, affecting our employees and organisation. The *Statoil Technical Efficiency Programme* (STEP) and the *Organisational Efficiency* (OE) programme are initiatives to help us meet the annual savings target of USD 1.7 billion within 2016, announced on the Capital Markets Day in February 2015. The STEP programme is an umbrella programme for cost and technical efficiency projects throughout the group. The improvement potential is significant and will cover capital expenditure, operational cost, production and staff efficiency towards 2020. The OE programme aims to ensure that we manage the extensive organisational change agenda consistently, through stringent project planning, strategic workforce management, project execution and proactive management of risk. Both programmes are supported by a common framework for leadership and culture, people process and deployment, performance management and communication.

We collaborate with employee representatives in the change processes, and we strive to find solutions that are satisfactory both for our employees and for the company. To handle redundancies resulting from the ongoing change processes, we use measures such as internal deployment and voluntary severance packages. In 2014, we implemented a new periodic recruitment process to ensure an optimal utilisation of the workforce and facilitate redeployment to areas in need of competence. Following the launch of the periodic recruitment process in February 2014, 1,370 positions were posted on the internal job market throughout 2014.

Employee and industrial relations

We promote good employee and industrial relations practices through various networks and forums, including IndustriALL and ILO. In 2014, management and employee representatives collaborated closely, in particular on the two corporate change initiatives STEP and OE. In addition, the European Works Council continued to be an important channel between the company and employees.

In the autumn 2014, the Norwegian Petroleum Safety Authority (Ptil) carried out a follow-up of our ongoing efficiency improvement programmes, with particular focus on employee involvement. The follow-up concluded that Statoil's involvement of employees in STEP was not in compliance with regulatory requirements. To strengthen employee involvement and ensure compliance with regulatory requirements, Statoil and the unions have agreed to establish a new collaboration arena, *Central Works Council and Working Environment Committee* for OE and STEP, in Statoil ASA. The newly established arena will address most of the deviations that Ptil remarked in their follow up.

In the annual Global People Survey, which continued to have a high response rate of 86%, our employees reported an average overall satisfaction score of 4.5 on a scale from 1 to 6 (6 being the highest). This is a slight decrease from the score of 4.6 in 2013.



Workforce data

	2014	2013	2012	2011
Permanent employees	22,516	23,413	23,028	21,309
Staff, non-Norwegians (%)	20	21	20	18
Leaders, non-Norwegians (%)	22	22	20	18
New hires, non-Norwegians (%)	60	48	41	42
Staff, women (%)	31	31	31	31
Leaders, women (%)	28	27	27	27
New hires, women (%)	33	34	30	34
Earnings female vs male (ASA) (%)*	98	98	98	98
Total turnover group (%)	5	4	2	2
% staff, member of trade union (ASA)*	68	66	65	66
Global People Survey satisfaction score	4.5	4.6	4.6	4.7

*Statoil ASA (employees in Norway) only.

Total workforce by region, gender, employment type, and new hires (headcount)*

Geographical Region	Permanent employees		% Women		New hires		% Part time		Consultants	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Norway	19,670	20,336	30	30	263	923	3	3	1,039	1,826
Rest of Europe	909	935	31	30	101	72	3	2	119	145
Africa	117	140	34	33	13	34	NA	NA	21	30
Asia	135	140	52	53	5	26	NA	NA	11	11
North America	1,375	1,559	34	35	92	303	NA	NA	210	7
South America	310	303	40	38	27	56	4	NA	11	103
TOTAL	22,516	23,413	31	31	501	1,414	2%	3%	1,411	2,122
Non - OECD	677	690	40	39	59	119	NA	NA	46	146

* Enterprise personnel, defined as third-party service providers who work at our onshore and offshore operations, are not included. These were roughly estimated to be around 42,000 in 2014.

Learning and development

We encourage our employees to take responsibility for their own learning and development, continuously building new skills and sharing knowledge, supported by the LEAP Corporate University (LEAP - Learn, Engage, Achieve, Perform). More information about our corporate university LEAP is available at www.statoil.com/careers.

We believe in providing our employees with challenging tasks, encouraging continuous on the job learning. We also believe that collaboration and sharing of experience provide the best development opportunities. *People@Statoil* is our common process for people development, deployment, performance and reward. It is an integrated part of our performance management. The process is described in *The Statoil Book*, available at www.statoil.com.

Learning and development activities were significantly reduced in 2014, due to ongoing work on redesigning learning activities and reviewing competence requirements to become more efficient, both from a learning and cost perspective. Leadership development programmes are under review and redesigned to further strengthen the development of high performing leaders.

	2014	2013	2012	2011
Number of participants who have completed learning programmes	38,128	57,988	71,985	79,669
Total number of course participation days	73,077	114,017	131,764	141,903
E-learning participations	49,757	48,941	57,210	75,689
Number of leaders participating in corporate leadership development programmes	201	659	826	1,166
Total number of participation days in leadership development programmes	530	2,429	3,438	5,212

*The table includes internal learning and development activities only, not external training.



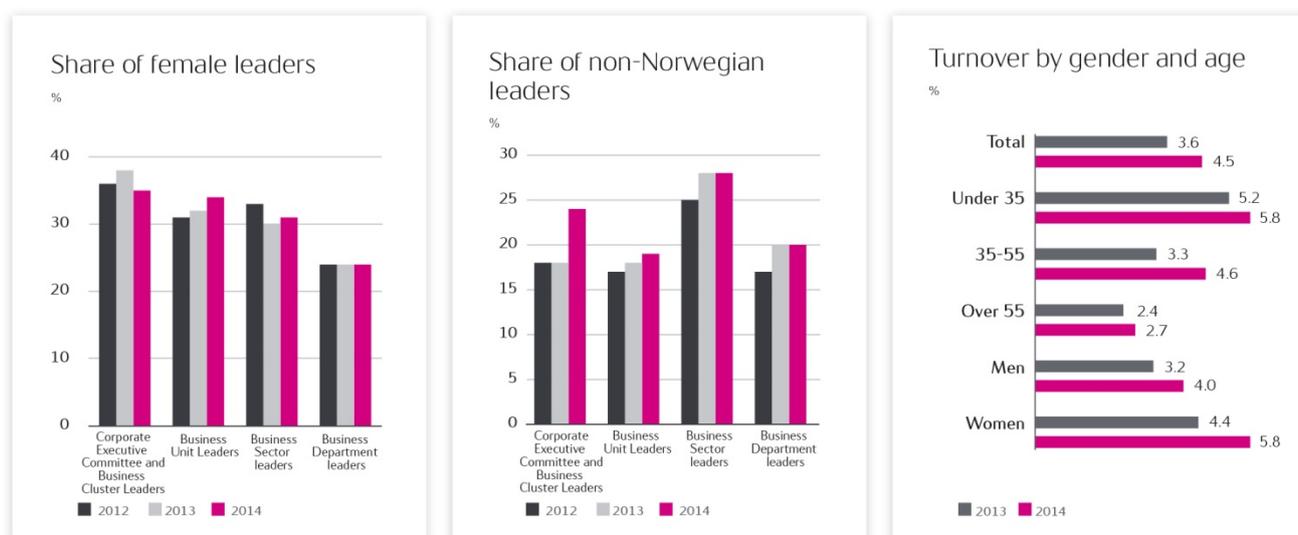
Diversity

Diversity encourages new and different ways of thinking and is crucial for our successful and sustainable international growth. In 2014, we continued to focus on increasing the number of women in leadership and professional positions and on building broad international experience in our workforce. Our commitment to diversity and inclusion was demonstrated in the 2014 *Global People Survey*, where we maintained our high score of 5.1 (6 being the highest) for our target of zero tolerance for discrimination and harassment in the workplace.

In 2014, the overall percentage of women in the company was 31%. Women comprised 45% of the members of the Board of Directors and 11% of the Corporate Executive Committee. The total proportion of female managers increased from 27% to 28%. We continue to strive to increase the number of female managers through our development programmes. We pay close attention to male-dominated positions and discipline areas. In Statoil ASA (Norway), the proportion of women among staff engineers with up to 20 years' experience increased to 31%, while the share of female engineers remained stable at 27%.

At Statoil we reward our people on the basis of their performance, giving equal emphasis to delivery and behaviour. Our rewards approach is transparent, non-discriminatory and supports equal opportunities. Given the same position, experience and performance, our employees will be at the same remuneration level relative to the local market. This is demonstrated in the salary ratio between women and men at different levels, which remained high at an average of 98% (Statoil ASA).

The proportion of employees of non-Norwegian nationality decreased slightly to 20%, while the proportion of leaders of non-Norwegian nationality remained stable at 22%. Outside of Norway, we aim to increase the number of people and leaders who are locally recruited. In 2014, 60% of new hires were non-Norwegians and 33% were women.



Find out more online

More information about our approach to people and organisation is available at www.statoil.com/careers. Information about our approach to human rights, including labour standards, is available in the *Human rights* section at www.statoil.com/sustainability and in the *Human rights* section in this report. A description of our remuneration policy and criteria is available in the *Board's Statement on remuneration for Statoil's Corporate Executive Committee*, available at www.statoil.com/annualreport2014.

10 About the report and data

Reporting principles

Our sustainability report has been prepared on the basis of the *Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines*, including the *Oil and Gas Sector Supplement*. A description of the process to define report content is described in the section *Sustainability matters*. In our opinion, our sustainability report is in accordance with the 'core' reporting level. A GRI content index is available at www.statoil.com/sustainability.

As a supplementary source of information, we used the *Oil and gas industry guidance on voluntary sustainability reporting* published by IPIECA (The global oil and gas industry organisation for environmental and social issues).

We regard our annual and sustainability report to be our *Communication of Progress* report to the *United Nations Global Compact*. In our opinion, Statoil meets the requirements for the *Global Compact Advanced* reporting level.

External verification

The report is *externally assured* by KPMG. The external assurance, as outlined in the *Independent assurance report*, concludes that the report is presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the GRI.

Reporting boundaries

Defining consistent boundaries for our sustainability reporting is challenging due to the complexity of ownership and operational arrangements, such as joint operating agreements. We strive to be consistent throughout the report and transparent about variations in boundaries. Operations acquired or disposed of during the year are included for the period we owned them, unless otherwise stated. Entities that we do not control, but have significant influence over, are included in the form of disclosures of management approach. We report performance data based on the following boundaries:

- **Operational control principle:** Non-financial data are generally reported on a 100% basis for companies and joint ventures where we are the operator or the technical service provider, unless otherwise stated. We report in this way, in line with industry practice, because these are the data we can directly manage and affect.
 - We report **health and safety incident data** for our operated assets, facilities and vessels, including subsidiaries and operations where we are the technical service provider. In addition, we include contracted drilling rigs, floatels and vessels, projects and modifications and the transportation of personnel and products according to defined inclusion criteria, using a risk based approach¹⁰.
 - We report **environmental data** on a 100% basis for our operated assets, facilities and vessels, including subsidiaries and operations where we are the technical service provider and contracted drilling rigs and floatels. Environmental data represent our direct emissions, discharges, consumption etc. unless otherwise stated.
- We report **social performance data** for our assets and operations with a significant activity level, as well as assets and operations that could be considered relevant due to environmental or social risks, despite a low activity level. We take a business risk-based approach to the management of social and human rights risks and impacts. Data on impact assessments, human rights screenings, community engagement, resettlement, disputes etc., is collected on the basis of information from assets under our operational control.
- Our **workforce data** relates to permanent employees in our direct employment, except for the table on total workforce, which provides the number of consultants. Statoil defines consultants as contracted personnel that are mainly based in our offices. Temporary employees and enterprise personnel are not included in the workforce table. Enterprise personnel are defined as third-party service providers and work on our onshore and offshore operations. In 2014 these were, roughly estimated, about 42,000.
- We report **socio-economic data** based on information from the consolidated financial statements prepared according with IFRS (such as investments and revenues) or based on actual payments made in the reporting year (such as signature bonuses and income taxes). The details are further explained in the notes to the table in the *Economic impact* section.

An overview of Statoil-operated and partner-operated assets is available at www.statoil.com.

Find out more online

Information about corporate governance, risk, subsidiaries, production volumes etc. can be found in the Statoil ASA 2014 *Annual Report on Form 20-F* and in the Statoil ASA 2014 *Statutory Report*. To obtain a full overview of our sustainability approach and performance, additional sources of information should be taken into consideration. These are listed in the *Table of contents* section.

¹⁰ We apply a framework of minimum requirements for recording safety and environmental data for operations within our control. In addition, we apply a business risk-based approach to the recording of safety and environmental data, whereby we extend our sphere of influence beyond what is considered to be within our operational control.

Terms and definitions

- *Boe*: Barrel of oil equivalent.
- *Carbon dioxide (CO₂) emissions*: Emissions from energy and heat production, flaring (including well testing/well work-over), rest emissions from capture and treatment plants, and emissions of CO₂ as a result of process emissions.
- *CO₂ emissions intensity*: Total scope one emissions of carbon dioxide (kg CO₂) divided by total production (boe).
- *Contractual social obligations*: Social investment projects that are part of the host governments' contractual obligations.
- *Energy consumption*: Energy from power and heat production based on combustion, unused energy from flaring (including well testing/ work-over and venting), energy sold/delivered to third parties and gross energy (heat and electricity) imported from contractors.
- *Flared hydrocarbons*: Weight of hydrocarbons combusted in operational flare systems. Includes safety and production flaring.
- *Flaring intensity*: Flared hydrocarbons from upstream activities (incl. LNG) per hydrocarbons produced.
- *Fresh water consumption*: Includes water from public installations, wells (included reservoirs), lakes, streams, rivers and purchased fresh water. Fresh water produced from salt water on facilities/installations is not included.
- *Greenhouse gas emissions, scope 1*: Direct emissions (as defined by the Greenhouse Gas Protocol) of CO₂ and CH₄, expressed as CO₂ equivalents. Other GHGs are considered negligible for Statoil. The global warming potential (GWP) factor used for CH₄ is 25.
- *Greenhouse gas emissions, scope 2*: Indirect emissions as a consequence of gross energy (electric power and heat) imported from a third party.
- *Greenhouse gas emissions, scope 3*: Indirect emissions as a result of the customers' end use of our products sold (equity basis).
- *Hazardous waste recovery rate*: The total quantity of hazardous waste from the plant's operation that has been delivered for reuse, recycled or incinerated with energy recovery, as a proportion of the total quantity of hazardous waste.
- *IEA*: International Energy Agency
- *IPIECA*: The global oil and gas industry association for environmental and social issues.
- *IPPC*: International Panel on Climate Change.
- *LNG*: Liquefied natural gas.
- *Lost-time injury frequency*: The number of fatalities and lost-time injuries per million hours worked.
- *Mboe*: thousand barrels of oil equivalents.
- *Mmboe*: million barrels of oil equivalents.
- *Methane (CH₄) emissions*: Includes emissions from energy and heat production at own plants, flaring (including well testing/well work-over), cold venting, diffuse emissions, and the storage and loading of crude oil.
- *Monetary donations*: Monetary donations are altruistic. There is no real co-operation and the relationship is often a "one off".
- *Nitrogen oxides (NO_x) emissions*: Emissions from energy and heat production at our own plants, the transportation of products, flaring (included well testing/well work-over) and treatment plants.
- *Non-hazardous waste recovery rate*: The quantity of non-hazardous waste from the plant's operation that has been delivered for reuse, recycled or incinerated with energy recovery, as a proportion of the total quantity of non-hazardous waste.
- *Non-methane volatile organic compounds (nmVOC) emissions*: Emissions from energy and heat production, transportation of products, flaring (including well testing/well work-over), cold venting, diffuse emission sources and storage and loading of crude oil and products.
- *Oil spill*: All unintentional oil spills to the natural environment.
- *Operations*: Temporary or permanent sites, activities and assets used for exploration, extraction, refining, transporting, distributing, and marketing petroleum products.
- *Other unintentional spills*: Unintentional spills of chemicals, produced water, ballast water and polluted water reaching the natural environment.
- *Psychosocial work environment*: The psychosocial work environment concerns aspects of the design and management of work and its social and organizational context that could have an impact on the employee's health and well-being.
- *Serious incident frequency (SIF)*: The number of serious incidents (including near misses) per million hours worked. An incident is an event or chain of events that has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party. All undesirable incidents are categorised according to degree of seriousness, based on established categorisation matrices.
- *Serious oil and gas leakages*: Number of inflammable oil/liquid/gas leaks with leakage rate >0.1 kg/second or brief leakages >1kg.
- *Sickness absence*: The total number of sickness absence hours as a percentage of planned working hours (Statoil ASA employees).
- *Sulphur oxides (SO_x) emissions*: Emissions from energy and heat production and flaring, including well testing/well work-over.
- *Total recordable injury frequency*: Number of fatal accidents, lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked.
- *UN*: United Nations
- *Voluntary social investment projects*: Voluntary contributions undertaken to mitigate social risks and enhance opportunities for local communities. Social investment projects often involve long-term financial commitment and partnerships.

11 Independent assurance report

To the board of directors of Statoil ASA

We were engaged by the corporate executive committee of Statoil ASA ("Statoil") to provide assurance on the Sustainability Report 2013 ("the Report"). The corporate executive committee is responsible for the preparation of the Report, including the identification of material issues and the determination of the Global Reporting Initiative (GRI) 'In accordance' level. Our responsibility is to issue an assurance report based on the engagement outlined below.

Scope

Our assurance engagement was designed to provide limited assurance on whether the Report is presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative, and reasonable assurance on whether the data and related explanatory notes for the indicators listed below (hereinafter: safety and environmental performance information) are presented, in all material respects, in accordance with the internally developed guidelines.

- Included in the section *Safety and Security*: Total Recordable Injury Frequency (TRIF), Total recordable injury frequency per country, Lost-time injury frequency, Serious Incident Frequency (SIF), Fatalities, Oil spills, Other spills;
- Included in the sections *Climate change and energy supply* and *Resource efficiency and environmental impact*: CO₂ emissions, CH₄ emissions, GHG-emissions, CO₂ intensity per segment, Energy consumption, Fresh water consumption, NO_x emissions, nmVOC emissions, SO_x emissions, Regular discharges of oil to water, Total non-hazardous waste, Total hazardous waste, Non-hazardous waste recovery rate, Hazardous waste recovery rate.

We do not provide any assurance on the achievability of the objectives, targets and expectations of Statoil.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Reporting criteria and assurance standard

Statoil applies the Sustainability Reporting Guidelines (G4), including the Oil and Gas Sector Supplement of the Global Reporting Initiative supported by internally developed guidelines as described in the section About the Report. It is important to view the Report in the context of these criteria.

We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.

Work undertaken

Our procedures for limited assurance on the Report involved:

- a media search and peer review to identify relevant sustainability, environmental, safety and social issues for Statoil in the reporting period;
- evaluating the design and implementation of systems and processes for the collection, processing and control of the information in the Report, including the consolidation of data for the Report;
- conducting interviews at corporate level with management responsible for the sustainability policies, communication and reporting and with relevant staff responsible for providing the information in the Report;
- evaluating internal and external documentation, on a test basis, to determine whether the information in the Report is supported by sufficient evidence.

Our additional procedures for reasonable assurance on the safety and environmental performance information as outlined under Scope involved:

- testing the application of the reporting criteria, including conversion factors, used in the preparation of the reported information and accompanying notes;
- evaluating the design and existence, and testing the operating effectiveness, of systems and processes for collecting and processing the safety and environmental performance information;
- visiting four sites to test the source data to evaluate the design and implementation, and test the operating effectiveness, of controls at local level.

During the assurance process we discussed the necessary changes in the Report and reviewed the final version of the Report to ensure that it reflects our findings.

Conclusion in respect of the Report

Based on our procedures for limited assurance, nothing has come to our attention to indicate that the Report is not fairly presented, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative.

Opinion in respect of safety and environmental performance information

In our opinion the data and related explanatory notes for the safety and environmental performance information as outlined under Scope above are presented, in all material respects, in accordance with the reporting criteria.

Stavanger, 10 March 2015

KPMG AS



Mona Irene Larsen
State Authorized Public Accountant (Norway)



Egbert Eeftink



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

www.statoil.com