

## Case 7 for Statoil ASA Annual General Meeting 19 May 2015

### Proposal from shareholders regarding Statoil's strategic resilience for 2035 and beyond

Two shareholders have proposed the following resolution:

*"That in order to address our interest in the longer term success of the Company, given the recognised risks and opportunities associated with climate change, we as shareholders of the Company direct that routine annual reporting from 2016 includes further information about: ongoing operational emissions management; asset portfolio resilience to the International Energy Agency's (IEA's) scenarios; low-carbon energy research and development (R&D) and investment strategies; relevant strategic key performance indicators (KPIs) and executive incentives; and public policy positions relating to climate change. This additional ongoing annual reporting could build on the disclosures already made to CDP (formerly the Carbon Disclosure Project) and/or those already made within the Company's Scenarios, Sustainability Report and Annual Report."*

It is our intention that this is a supportive but stretching shareholder resolution. With this resolution we want to support Statoil in its preparations for the low-carbon transition.

We believe that supportive but stretching shareholder resolutions can play a positive stewardship role. The Swedish AP Funds have filed this resolution to BP and Shell as part of the "Aiming for A" coalition in the UK. These resolutions amplify the need to balance the short- and longer-term aspects of shareholder value creation.

Thanks to Mercer<sup>1</sup> and Carbon Tracker's<sup>2</sup> research, horizon-scanning investors are aware of the portfolio risks of public policy uncertainty and potential asset stranding. Major technology transitions are rarely smooth, and draconian policy action that has to be introduced quickly after prolonged delay increases risks to investors. The resolution covers three related areas:

#### 1. Ongoing operational emissions management

In 2014 Statoil achieved a "C" carbon performance band (on an A-E scale) through CDP. Within the performance banding methodology considerable weight is given to operational emissions management, alongside strategic and governance issues like those below. Investors are interested in how the company is maintaining progress towards reaching an "A".

For further details see <https://www.cdp.net/en/US/Programmes/Pages/CDP-Investors.aspx>.

#### 2. Asset portfolio resilience to post-2035 scenarios

Statoil has a diverse portfolio of assets (operational and in reserve). We ask that an assessment of the portfolio's resilience against the range of IEA<sup>3</sup>, and any other relevant post-2035, scenarios be outlined to investors in routine reporting from 2016. Investors are also interested in the role exploration, disposals and cash distributions to investors will play in the nearer term.

#### 3. Strategic KPIs and executive incentives

Transitions that span decades are complex to manage and often require lead indicators and incentives. Bearing in mind existing arrangements regarding the inclusion of sustainability factors in the annual bonus, investors are interested in Statoil's evolving approach to KPIs and executive incentives, in the context of the transition to a low carbon economy, including the role played by the reserves replacement ratio (RRR).

Finally, we'd also like to highlight the global investor coalition on climate change's document outlining their expectations for oil & gas majors, which are available from: <http://globalinvestorcoalition.org/>. This builds on their carbon asset risk (CAR) initiative<sup>4</sup>.

<sup>1</sup> [http://www.uk.mercer.com/newsroom/climate\\_change\\_scenarios.html](http://www.uk.mercer.com/newsroom/climate_change_scenarios.html)

<sup>2</sup> <http://www.carbontracker.org/our-work/>

<sup>3</sup> <http://www.worldenergyoutlook.org/weomodel/> (the WEO-2014 uses a scenario approach to examine future energy trends and has been extended to 2040 for the first time. It presents three scenarios: the New Policies Scenario, the Current Policies Scenario, and the 4SO Scenario)

<sup>4</sup> <http://www.ceres.org/press/press-releases/investors-ask-fossil-fuel-companies-to-assess-how-business-plans-fare-in-low-carbon-future>

## The Board's response to case 7 *"Proposal from shareholder regarding Statoil's strategic resilience from 2035 and beyond"* addressed to Statoil ASA's annual general meeting on 19 May 2015

Statoil's board of directors welcomes shareholder interest in better understanding the company's risk exposure and strategic approach to 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 work with governments, business, peer companies in our industry sector and civil society organisations to facilitate the development of viable global policies and regulatory frameworks.

We also work to address the climate challenge through our industrial approach to create a resilient company and in support of industrial initiatives contributing to the development of well-designed carbon pricing schemes, efforts to reduce flaring and methane emissions and to pursue industrial solutions designed to reduce the environmental impact of oil and gas production.

Statoil is a leader in the industry on transparency in our financial reporting and the board of directors will ensure that its 2016 sustainability reporting will evolve further to include additional information about the following:

- a. Ongoing operational emissions management
- b. Asset portfolio resilience to post-2035 scenarios
- c. Low carbon energy research and development and investment strategies
- d. Strategic key performance indicators and executive incentives
- e. Public policy intervention

Based on the above, the board of directors recommends the general meeting to support the proposal.

## Case 8 for Statoil ASA Annual General Meeting 19 May 2015

### Proposal from shareholders regarding Statoil's reporting

Two shareholders have proposed the following:

"Statoil has a diverse portfolio of operational and in-reserve assets, with increasing activities in high-risk, carbon intensive projects. A report commissioned by HSBC<sup>1</sup> revealed that as much as 15% of Statoil's reserves would be stranded assets in a future where the global warming is kept below two degree Celsius. As a shareholder, it is in our interest to assess the company's adaptability to regulations and changes in demand expected in a low-carbon society. We find that Statoil's current reporting on its strategy for future scenarios insufficient to make such an assessment.

*"In order to address the long-term viability of Statoil' strategic direction, given the recognised risks and opportunities associated with climate change, we direct the following:*

*We ask that Statoil's project within the portfolio should be assessed for its resilience against IPCC's AR5 scenarios<sup>2</sup>. Within the assessment, we request explicit focus on:*

- a. High-risk assets such as unconventional fossil fuel investments, including Arctic-, tar sands-, extreme deep water- and all new projects in the portfolio.*
- b. Assets that can help mitigate this risk, such as renewable energy research and development and investment strategies.*

*The assessment should be outlined to investors in routine reporting from 2016. We further request that if these assessments reveal that the portfolio leaves the company with inadequate adaptability in a low-carbon scenario, Statoil should also present a strategy to readjust the portfolio by pulling out the implicated projects."*

<sup>1</sup> HSBC (2013) Oil & carbon revisited - Value at risk from unburnable reserves

<sup>2</sup> IPCC AR5 scenarios refers to RCP2.6, RCP4.6, RCP6.0, RCP8.0 in "Fifth Assessment Report" (AR5) by Intergovernmental Panel on Climate Change (IPCC)

### The Board's response to case 8 "Proposal from shareholder regarding Statoil's reporting" addressed to Statoil ASA's annual general meeting on 19 May 2015

Statoil's board of directors welcomes shareholder interest in better understanding the company's risk exposure and strategic approach to climate change, and the board has assessed the proposal in detail.

The proposal for resolution implies that Statoil could be requested to publicly disclose commercially sensitive information, both at asset as well as at portfolio level. The board of directors does not find it appropriate to disclose economic characteristics and business development plans for single assets. Such disclosures could affect Statoil's ability to pursue its strategy, undermine its commercial and competitive position, and put shareholder value at risk. Furthermore, it is a vital principle of good corporate governance that establishing and monitoring the company's strategy is the responsibility of the board, and should be based on multifactorial considerations, and not a single consideration such as climate, as implied in the proposal made by WWF Norway and Greenpeace Norway.

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

## Case 9 for Statoil ASA Annual General Meeting 19 May 2015

### Proposal from shareholders regarding Statoil's strategy

A shareholder has proposed the following:

"Statoil's greenhouse gas emissions (CO<sub>2</sub>, CH<sub>4</sub> and GHG) continued to grow in 2014. The change in Statoil's executive management represents a favourable opportunity for the company to put former bad investments and losses behind, steering the company's current risky strategy into a more sustainable direction. This requires that the company adjusts its new strategy in relation to and accordance with the goals of the Norwegian parliament and the UN to limit global carbon emissions from human activity to a level consistent with a future temperature increase of max. + 2°C. Oil and gas production and combustion account for a significant part of these emissions, and to avoid exceeding the 2-degree goal the majority of all known and unknown oil and gas reserves must be left in the ground to the end of this century. Challenging national and international climate goals contrary to the interests of the next generations of shareholders will not be a sustainable strategy for Statoil.

Proposal for resolution:

*"The board develops a new strategy for a more sustainable development and administration of the company's resources and business. The strategy should reflect the company's joint responsibility for helping meet the current energy demand within the framework of national and international climate goals.*

*The board should in this context consider opportunities and consequences associated with the following relevant individual strategies:*

- 1. Terminate the exploration for new oil and gas sources nationally and globally*
- 2. Minimize CO<sub>2</sub> emissions from producing fields and processing facilities as far as possible, including carbon capture and storage*
- 3. Diversify the business with a renewed and heavy focus on renewable energy production, nationally and globally, based on wind, and perhaps wave power.*

*The utilization of investment funds released through the termination of new oil and gas field exploration and development for funding emission reductions in existing operations, as well as new investments in renewable energy production, should be considered. The result of the strategy work will be presented in the annual reports for 2015/16."*

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### The Board's response to case 9 "Proposal from shareholder regarding Statoil's strategy" addressed to Statoil ASA's annual general meeting on 19 May 2015

Climate change is quite possibly one of the greatest challenges of our time. Statoil fully acknowledges the need for the oil and gas industry to contribute with measures and emission reductions that reduce the likelihood of a global temperature increase greater than 2 degrees.

Changing the global energy system so that growing energy needs are met in a way that is sustainable poses a very fundamental challenge. While all indicators point to a need for major investments in renewable energy, the most credible forecasts indicate that there will be a considerable need for oil and gas to cover the global energy demand for decades to come, even in a low-carbon society.

As production from existing fields declines, the world relies on new resources reaching the market. Statoil wants to achieve this in the most sustainable manner possible, for example by using gas to replace coal and ensuring that production takes place with minimal energy consumption and the lowest possible carbon emissions.

Statoil's ambition is to be the world's most carbon-efficient producer of oil and gas, in parallel with our commitment to further developing a profitable position within renewable energy. This is how Statoil can continue to work sustainably to create value for our shareholders.

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

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