



Delivering what we promise

DELIVERING WHAT WE PROMISE – STATOIL AND SUSTAINABLE DEVELOPMENT

STATOIL AND SUSTAINABLE DEVELOPMENT

 **STATOIL**

Our performance at a glance



Financials ¹	2002	2001	2000
Total revenue	243 814	236 336	230 425
Income before financial items, income taxes and minority interests	43 102	56 154	59 991
Net income	16 846	17 245	16 153
Capital expenditure	20 100	12 838	16 014
Return on average capital employed after tax	14.9%	19.9%	18.7%
Operations			
Combined oil and gas production (thousand boe/d)	1 074	1 007	1 005
Proved oil and gas reserves (million boe)	4 267	4 277	4 317
Production cost (USD/bbl)	3.05	2.92	3.08
Finding and development cost (USD/bbl) (3-year average)	6.17	9.11	8.21
Reserve replacement rate (3-year average)	0.78	0.68	0.86
Environment²			
Oil spills (cubic metres)	200	246	120
Carbon dioxide emissions (million tonnes)	8.9	9.2	8.3
Nitrogen oxide emissions (tonnes)	26 400	29 500	30 300
Discharges of harmful chemicals (tonnes)	410	360	620
Energy consumption (TWh)	42.1	44.2	40.0
Waste recovery factor	0.68	0.65	0.66
Health and safety			
Total recordable injury frequency ³	6.0	6.7	10.1
Serious incident frequency ³	3.8	4.1	4.3
Sickness absence ⁴	3.4	3.4	3.5
Fatalities ³	6	1	2
Organisation			
Employee satisfaction ⁵	4.6	5.1	4.8
Proportion of female managers ^{6*}	23%	15%	15%
Union membership (per cent of workforce)*	70	N/A	N/A
R&D expenditure ⁷	736	633	656

“My response to the sustainability challenge is that we will pursue our operations in such a way that the next generation also benefits from them,” Olav Fjell, page 5.

¹ Key figures given in NOK million

² Data cover Statoil-operated activities. Definitions on pages 22-29.

³ Data cover Statoil employees and contractors. Definitions on pages 62-63.

⁴ Total number of days of sickness as a percentage of possible working days (Statoil employees)

⁵ Working environment and organisation survey. Scale: 6 (highest) - 1 (lowest)

⁶ New reporting system implemented

⁷ NOK million

* Estimate

These are key indicators of Statoil's performance. Several of them are included in managers' performance pay contracts. For a more extensive overview of reporting indicators, see our annual report for 2002.

Statoil's business



We are an integrated oil and gas company headquartered in Stavanger, Norway. Our group has 17 115 employees and activities in Europe, the Americas, Africa, the Middle East and Asia. In 2002, we produced an average of 1 074 000 barrels of oil equivalent per day, of which 989 000 barrels came from the Norwegian continental shelf (NCS). We rank as one of the largest net crude exporters in the world, one of the leading suppliers of natural gas to Europe and a major retail brand in Scandinavia and the Baltic states.



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“The world has become too small for a company to maintain a set of ethics in one country and another in a different nation. We must maintain the same ethical standards regardless of where we are.”



Delivering what we promise –
Gro Harlem Brundtland in
conversation with Olav Fjell

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Social performance

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Environmental
performance



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Under scrutiny:
Azerbaijan

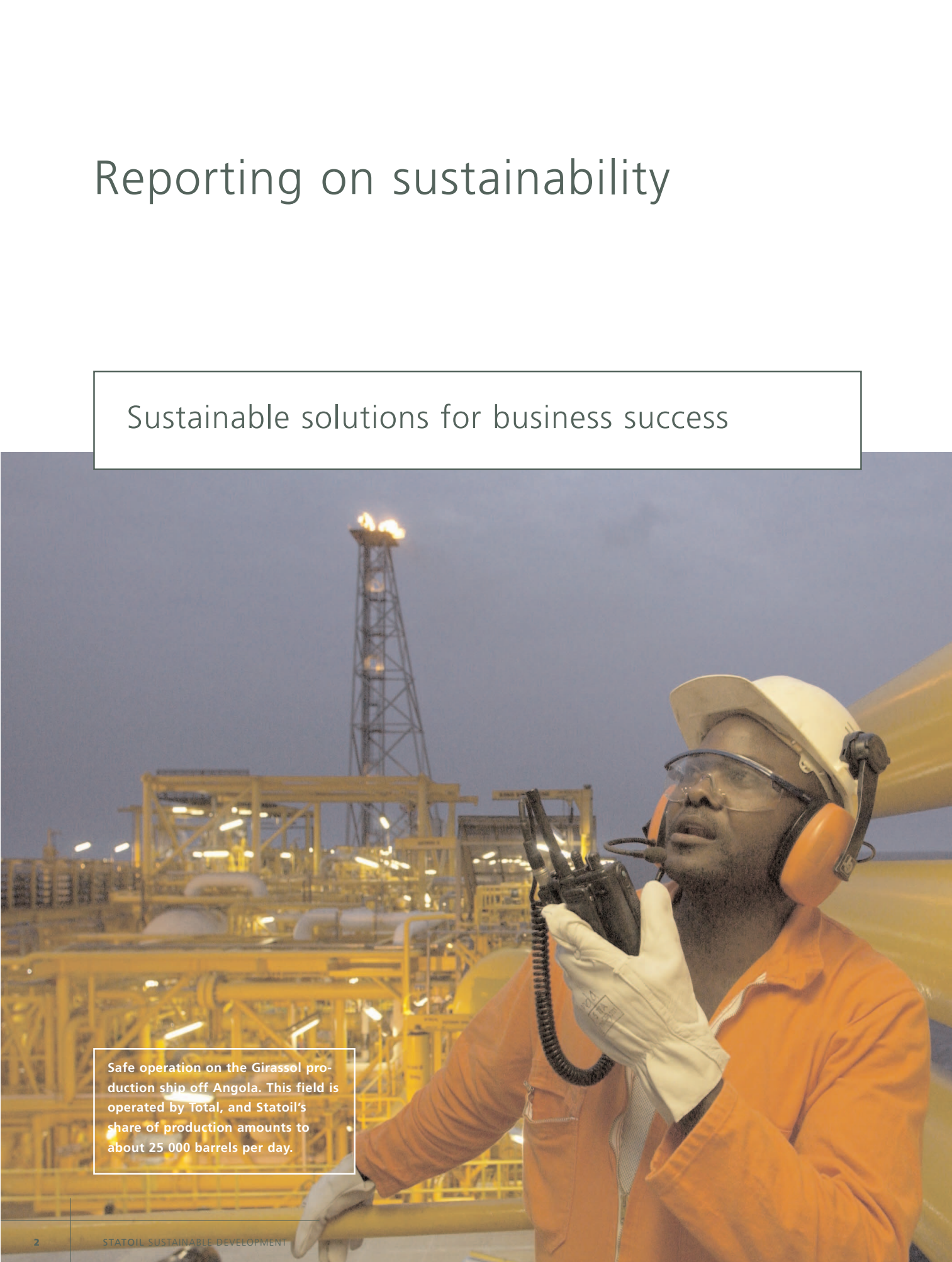


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Under scrutiny:
Snøhvit

Reporting on sustainability

Sustainable solutions for business success



Safe operation on the Girassol production ship off Angola. This field is operated by Total, and Statoil's share of production amounts to about 25 000 barrels per day.

This is Statoil's second sustainability report. It focuses on implementation and achievements relating to the targets set last year. It also communicates our efforts to achieve a continuous improvement in our policies and our understanding of the industry's key challenges. Where possible, we have included relevant performance indicators and issues raised by emerging international standards. We believe that transparency and comparability between companies will increase with common reporting standards.

We are committed to a demanding set of financial and business goals for the coming years. To meet these targets, we will need to make progress with growing the business in petroleum provinces outside Norway. Success will depend on developing our operations in a sustainable manner. However, the combination of managing sustainable growth and seeking international expansion also presents us with a number of dilemmas. Our positive progress on acquiring operatorships outside Norway during 2002 gives us a clearer picture of what lies ahead.

A major challenge for the petroleum business is to communicate how this industry can possibly contribute to sustainable development. Some say this is a contradiction in terms. We say petroleum resources play a key role in social and economic development, and will continue to do so for many years to come. Our responsibility as a petroleum company is to minimise carbon dioxide emissions and manage the petroleum resources at our disposal in the most efficient manner.

Some stakeholders believe we should be developed into an energy company with a stronger focus on renewable energy sources. We will continue to develop renewable energy sources and carriers, but Statoil is an oil and gas company and will remain so for the foreseeable future. We believe in having a realistic attitude towards the environmental challenges facing us. This appreciation forms the basis for developing new technological and commercial solutions, which will in turn improve our environmental performance.

Poverty is a challenge facing all international businesses. The 25 countries in which Statoil has developed operations also include nations where human rights are being violated and where large parts of the population live in poverty. For us, a key question is how to contribute to social and economic development in these nations.

We believe that our understanding of these complex challenges has improved through stakeholder dialogue and a practical approach. We have embarked on more systematic cooperation with human rights and humanitarian organisations in the field, and we have also increased our focus on human rights and social responsibility to include a corporate policy on HIV/Aids. This report highlights our efforts relating to the environmental and poverty challenges.

Contributing to sustainable development is an ethical obligation, and a strong business case also exists for sustainable solutions. Efficient resource management and contributing to social development are clearly in the interests of Statoil and the business community at large. We have decided to present a case in this report to highlight the relationship between our efforts to develop the business and to serve society. We have chosen to focus on our activities in Azerbaijan, where we operate in a demanding environment and where we believe we have developed a "Statoil way" which will inspire our activities in other countries.

Please send your comments and feedback on this report to us at: lreadthereport@statoil.com

Read more about Statoil and sustainability at

 www.statoil.com/sustainability



Alan Field

Gro Harlem Brundtland in conversation with Olav Fjell

Q: What can a company like Statoil do to contribute to sustainable development?

Mr Fjell: We're more concerned with sustainability today than when the Rio conference was held 15 years ago.

In Statoil, we apply the precautionary principle and are aware that our responsibility also extends to the environment and society. The major international companies have acquired a great deal of power, but are also more conscious of their responsibilities than before.

We have had much discussion within Statoil about whether a group which produces a non-renewable resource can be sustainable.

My response to the sustainability challenge is that we will pursue our operations in such a way that the next generation also benefits from them.

The world needs energy, and seeking to meet that requirement without assigning a significant role to oil and gas is unrealistic.

As an oil and gas company, we have made a commitment to playing a leading role in dealing with carbon dioxide to ensure that emissions from our production are as low as possible.

Dr Brundtland: The position is that the commitment made since the Rio conference represents a positive contribution, even though matters have got worse in some areas and stagnated in others. Developments would have been far more negative without the raised awareness and collective commitment we managed to initiate then.

In the follow-up to Rio, we succeeded in establishing collaboration between research communities, industry and voluntary organisation on finding ways to achieve sustainable development. Cooperation as a way of finding solutions has become a normal approach, and it has worked! It has changed the way companies relate to social responsibility and the environment.

It is important that the political authorities have the courage to adopt regulation as a means of achieving environmental progress.

Many in the oil and gas industry were negative when Norway resolved to adopt a carbon tax in 1986, but we can see today that it has benefited the country and Statoil, which is now among the absolute front runners on dealing with carbon dioxide.

I see that the thinking has changed among the leaders of international companies.

We must acknowledge that many countries have weak systems of governance, frequent changes of government and bureaucracies with little authority. And the public sector is impoverished in many countries.

In such circumstances, it's important that the international companies don't confine their responsibility to the most short-term considerations.

Mr Fjell: Yes, we accept greater responsibility. But we then encounter individual incidents which are difficult to handle, such as the case of Amina Laval, the young Nigerian woman condemned by a local court to be stoned to death.

It was difficult to decide how Statoil should handle such a dilemma.



"A more appropriate approach for companies is to stretch and accept greater social responsibility."

Gro Harlem Brundtland

This conversation between Statoil chief executive Olav Fjell and Gro Harlem Brundtland, director-general of the World Health Organisation, took place in Geneva on 14 May 2003. The conversation was moderated by Trude Måseide of Statoil. Dr Brundtland has previously served as prime minister in several Norwegian governments and chaired the UN's World Commission on Environment and Development, which introduced the concept of sustainable development in 1987. This is an edited transcript of their discussion.



“Emission trading is the best solution if we want the biggest positive climate effect for every dollar we spend. But the debate on emission trading is much more demanding than I would have thought.” Olav Fjell

Dr Brundtland: I appreciate that the question of how far an individual company's responsibility extends is a difficult dilemma.

Your choice actually lies between communicating publicly with the authorities and requesting an official meeting with the government, or working through more informal, social channels and making known your attitude to breaches of human rights.

Statoil must make it clear that this is something which evokes strong reactions in countries with our traditions. It's possible to act in such a way.

Mr Fjell: That was actually how we responded. But we faced a big debate in Norway over whether we should have acted differently.

Q: Many nations with big oil reserves are also undemocratic, have corruption problems and suffer massive breaches of human rights. Are there countries where Statoil should not become involved?

Mr Fjell: There are. We have the countries which the UN and Norway believes should be boycotted. Beyond these, it's more a question of how we should become involved in terms of social responsibility.

Dr Brundtland: The boundary must be set not only at those countries covered by international and Norwegian sanctions but also those where Statoil, after a detailed analysis, sees that it is impossible to be present in a way which maintains the company's values.

Mr Fjell: Yes. The world has become too small for a company to maintain a set of ethics in one country and another in a different nation. We must maintain the same ethical standards regardless of where we are. That also calls for increased openness about and transparency in our business.

Q: Voluntary organisations often cite Angola as a country where the oil industry is not making a positive contribution to development. Is Statoil's investment there acceptable?

Dr Brundtland: The only solution is that the company decides for itself whether it can be present in a country such as Angola without compromising its basic values and the social responsibility it has accepted.

I can't see that the Norwegian government can be responsible for taking such complex decisions on behalf of national companies. But the Norwegian authorities and other players must be allowed to say what they think about their operations.

Mr Fjell: We're investing heavily in Angola, and became a producer there last year. We'll continue to make a big investment in this country.

We paid signature bonuses – in other words, payments to the authorities for the right to explore – on entry to this country a few years ago. Non-governmental organisations (NGOs) cannot find these sums in the Angolan government budget, and have therefore called for greater openness by the companies about how much has been paid.

We have published accounts for our Angolan business, but we see that the demands for transparency are becoming steadily stronger.

I believe increased transparency is the only way to go.



“The boundary must be set not only at those countries covered by international and Norwegian sanctions, but also those where Statoil, after a detailed analysis, sees that it is impossible to be present in a way which maintains the company’s values.”

Gro Harlem Brundtland.

 www.who.int

Q: Is it possible to do business in corrupt countries without becoming corrupted?

Dr Brundtland: What’s the right answer for Statoil if the choice is between paying a corrupt partner or accepting substantial delays in a project?

Mr Fjell: The right answer is not to pay, and then to inform the national authorities about the reason for the delay.

Dr Brundtland: That shows how the industry, by accepting greater responsibility, can help to push up standards in a country. The authorities can’t be left solely responsible, and it’s not enough simply to observe the regulations in a country with weak governance and poorly developed democracy.

Q: Statoil has opted not to define “no-go” areas based on environmental considerations. Is it right to do so?

Dr Brundtland: If the authorities have opened an area to oil and gas operations, I can’t understand why Statoil shouldn’t participate, and why it should be an advantage that other companies do.

In environmentally-sensitive areas opened by the authorities, you must do the best possible job and show that every consideration is taken into account.

Q: Is emission trading a good tool for reducing greenhouse gas emissions?

Dr Brundtland: Statoil says that it wants to use the purchase and sale of quotas to reduce emissions. I support that, and have advocated it for 20 years. It’s an appropriate way of thinking.

That’s because greenhouse gases are a global problem, and we have to make cuts where we can achieve the biggest emission reductions as quickly and as efficiently as possible.

Mr Fjell: Emission trading is the best solution if we want the biggest positive climate effect for every dollar we spend. Measures which yield small emission reductions in Norway are much more expensive than action in other countries with a far greater environmental impact. But the debate on emission trading is more demanding than I would have thought.

Dr Brundtland: The important consideration is that the system for measures in other countries and emission trading must be transparent. And it must be subject to public debate.

If the system is sensibly structured, measures in less developed countries will generate a number of technological improvements, enhance expertise and improve working conditions.

Q: What about the issue of gender equality?

Dr Brundtland: I see that Statoil has not managed to increase its proportion of female managers from 15 per cent in recent years. Is this a sign that the measures being taken aren’t tough enough?

Mr Fjell: I am pleased to say that we reached our target of 20 per cent women managers during 2002, and the proportion is 32 per cent among younger executives.

But we haven't reached this point in every entity, which is our target. We're not using positive discrimination, but I've made it a requirement that at least one female candidate must be assessed for all managerial appointments.

But it's harder to recruit women to managerial positions because they're more critical about their own expertise.

Dr Brundtland: Yes. Women undoubtedly ask themselves more often whether they dare to accept a job. So it's important that they're inspired to take the chance. In many cases, women contribute in a different way to men in an organisation.

Mr Fjell: It's because men and women are different that we want more female managers, of course. And we see that women platform managers, for instance, are often particularly good at treating their personnel as rounded individuals, at understanding a little more. Nothing surely presents a better example of 24-hour management than being a platform manager.

Q: Internationalisation also involves greater diversity. Is that equally demanding?

Mr Fjell: Yes. We've increased our international recruitment in recent years, and that also applies to managerial posts in Norway. This carries with it greater diversity in the way we work.

We've found that the organisation supports this development, but we're aware of the attitude that "we want diversity, but we don't want anything that's different."

Dr Brundtland: Diversity is positive. I've found that it brings in people who question things you've earlier found are a little too easy to take for granted. You learn from that.

Q: Finally, should Statoil be a company which adapts to the future, or an oil and gas company which helps to shape that future?

Mr Fjell: Our aim is to be a leading group which stakes out the right direction to take in balancing environmental, financial and social impacts.

And I believe it is possible to be a leader even though you're not among the very biggest companies. You must agree with that!

Dr Brundtland: Yes, I do. The test will be whether you succeed in getting a culture of this kind to permeate all thinking in the company.

As a leader, you sometimes find that the messages you repeat and repeat don't penetrate throughout the organisation.

It's not enough to say it in sustainability reports and speeches. You must get the message out to the whole company and come down hard on individual breaches.

This mustn't just be a principle, but the way you work. As a leader, I know it's an almost endless task.

Mr Fjell: Yes. It's not enough simply to promise – we must also act!

"It's not enough simply to promise – we must also act!"
Olav Fjell.

Our core values

Delivering what we promise

A path to the ocean has been beaten on Jæren. The Statoil head office was established in Stavanger, Jæren's main city, in 1972.

Our core values

Statoil's set of core values is published in the document *We in Statoil*. We aim to build and develop our corporate culture continuously on the basis of these principles. *We in Statoil* is issued to all new employees and used actively in communicating both in-house and with our other stakeholders.

Our core values build on the two fundamental principles: what we aim to achieve and what we believe in.

What we aim to achieve:

- safe and efficient operation
- satisfied customers
- profitability and growth
- strong market positions
- winner technology
- cleaner energy

What we believe in:

- delivering what we promise
- zero harm
- teamwork and learning
- social responsibility

The breadth and depth of each of our four beliefs have been further specified as follows:

We deliver what we promise

- we create value for our shareholders
- we fulfil customer expectations
- we create good results through efficiency and innovative thinking
- we cooperate with partners and suppliers on the basis of mutual respect
- our performance forms the foundation for recognition, career development and reward

Zero harm to people or the environment, zero accidents or losses

- a leading position in health, safety and the environment (HSE) has a value in itself as a prerequisite for positive financial results and a good reputation
- we will contribute to sustainable development
- we apply the same attitudes towards HSE wherever we do business
- we expect our suppliers and partners to share our values and objectives
- we have a common responsibility to care for the environment, our values and each other

We promote teamwork and encourage learning

- we draw on each other's knowledge, experience and creativity to achieve good results
- we develop our expertise through challenging assignments
- our managers develop the team and each individual, give constructive advice and lead the way as a good example
- we encourage each individual to take responsibility for their own development
- we want diversity in gender, age and cultural background

We accept social responsibility

- we will conduct our business in an ethically acceptable, sustainable and socially responsible manner
- we will contribute to value creation, expertise development and transfer of experience in the countries in which we operate
- we will observe and promote fundamental standards for human rights, labour rights and the environment

Straight talk:

Q: Which two areas are the most important for Statoil if it is to rank as an environmentally and socially responsible oil company?

A: It's hard to identify two areas as the most important in this respect. As an international oil company, Statoil has many responsibilities.

Society can't continue to burn fossil fuels at its present rate. That makes it important for oil companies to think ahead and redirect their efforts towards alternative and cleaner energy sources. I'd like to see them move from regarding themselves as oil companies towards defining themselves as energy companies.

Name: Børge Rygh Sivertsen
Nationality: Norwegian
Occupation: Statoil trainee from the autumn of 2003



Oil companies have responsibilities to the countries in which they operate. That applies particularly to returning social and economic benefits to the regions from which they extract natural resources.

It's vital that these companies abide by the Kyoto protocol and any other environmental agreements or laws. To be considered environmentally responsible, however, they need to be acting beyond mere compliance.

Corporate governance – the heart of the matter

Merging corporate culture and governance systems to manage our risks



Cooperation on the Sleipner T platform. Our Sleipner operations organisation is a pilot for ISO 9001 and 14001 certification of all major operational units in Exploration & Production Norway. The process will be completed in the summer of 2003.

Corporate governance – the heart of the matter

Statoil's fundamental objective is to create value for our owners. By contributing to sustainable development, we can strengthen our position in the labour market, the capital market and the markets for our products. To achieve our goals, we need robust and efficient governance systems. The interaction between an organisation, its board, its management and its stakeholders represents the very heart of corporate governance.

We apply the Norwegian model, in which governance responsibilities are divided between a board of non-executive directors and a corporate executive committee consisting entirely of executives. This structure ensures the independence of the non-executive directors in discharging their job of monitoring the management and exercising oversight of strategic planning and risk management processes. Combined with our corporate governance risk and control systems, this institutional structure is essential in enabling us to create and sustain business value in financial, social and environmental terms.

Our governing structures and formal institutions are described in an appendix on page 65.

Stakeholder dialogue

Our board is responsible for meeting the expectations not only of the owners but also of other stakeholders – including employees, the authorities, partners, suppliers, customers, non-governmental organisations (NGOs) and the general public.

Stakeholder dialogue is a traditional tool in the Norwegian business community, and has developed into a fundamental form of communication for Statoil at both corporate level and in relation to individual projects.

We are carrying this tradition with us as we expand our business internationally, which offers a number of benefits. Dialogue with stakeholders provides us with an in-depth understanding of how our activities are influenced by local societies, and how we in turn influence the communities in which we do business.

In addition, stakeholder dialogue is an efficient tool for identifying risks by providing access to vital information not readily available in other ways. Stakeholder dialogue impacts on how we do our business (see the Snøhvit case on page 30).

Managing our risks

The governing principles we have established will ensure good management and control of the business. However, no formal system of governance can prevent high-risk behaviour or potential damage to a company and/or society unless a shared understanding prevails throughout the organisation about the risks and challenges faced.

This is why we put emphasis on continuous training as well as on evaluating and monitoring the way our governance principles and core values are implemented (see our core values on page 10). To reinforce this commitment, we have embarked on a new human resources programme for our managers in 2002 to ensure a common management focus on values, responsibilities and risk management.

The main risk factors affecting Statoil are operational, geological and financial risks related to upstream field development and operation. We operate in the global markets for crude oil, refined products and natural gas as well as in

Straight talk:

Q: Why did you choose to include Statoil in your investment portfolio?

A: For the oil and gas sector, we focus on three priority issues to assess whether a company can be approved for our SRI funds.

First, we look for an excellent human rights record and give preference to those companies with low risk portfolios. And Statoil has done well in this area, integrating human rights into the heart of its internationalisation process.

Name: Nick Robins

Nationality: British

Occupation: Head of SRI research, Henderson Global Investors



Another measurement is the company's ability to manage climate change. The work Statoil has done on the Norwegian continental shelf is pioneering and we applaud that. However, it needs to devote more work to the product side of its business.

The final area of consideration is operations. Statoil's consultation agreement with International Federation of Chemical, Energy, Mines and General Workers Unions (ICEM) makes it a sector leader on employee involvement on HSE issues. But the recent rise in fatalities is an area of concern, which the company must look at very closely.



Assurance letter

The assurance letter has been introduced in 2003 as a supplementary reporting and management tool. Our chief executive asked 100 managers to sign such a document, stating that Statoil's business principles and corporate requirements are observed in their part of the organisation. It also provides a detailed assessment of the risks and challenges they face in their business areas and how they intend to address them.

This process provides a qualitative assessment of performance on issues which tend to escape quantitative measurement and traditional performance indicators. Managers must cover the following key themes in their assurance letters:

- labour standards
- promotion of diversity
- local value creation
- stakeholder engagement
- identification of HSE risk
- identification of business ethics risk
- identification of human rights risk
- steps to strengthen compliance

Our assessment is that managers have described the position in their part of the organisation in an open and honest manner. The assurance letter process improves understanding of the business principles and corporate requirements. The assurance letter process in itself improves the position in-house. Priorities set by senior executives often have a "cascade" effect down the organisation, and increase the general level of employee awareness.

financial markets. Our group is thereby exposed to market fluctuations which affect our investments and earnings, and has a system for identifying and quantifying these risks.

In 2002, we developed a model for assessing the impact of country risk factors at project level. This tool aims to enhance our ability to estimate and compare the influence of political risk factors across and between specific projects. The model does not provide us with an exact figure to describe the economic impact of such risks, but delivers a less random assessment of risks which are not normally quantified. We also aim to establish a system for evaluating risk at the portfolio level, such as reputational risk.

Voice of the workforce

Employees in Statoil are aware of and committed to their social responsibilities. Strong board representation gives them significant influence on and involvement in policy development.

The voice of the workforce is also communicated through the annual working environment and organisation survey (Amou) carried out since 1986. This tool is intended to map developments and assess our performance on organisational issues, management efficiency and satisfaction with the working environment. The survey is anonymous, and results are compiled, registered and aggregated by an independent polling agency.

Certifications

Governance systems for the group centrally and for its operational units are being certified to the ISO 9001 and/or ISO 14001 standards. This work will be completed by the end of 2004. Several units are already certified.

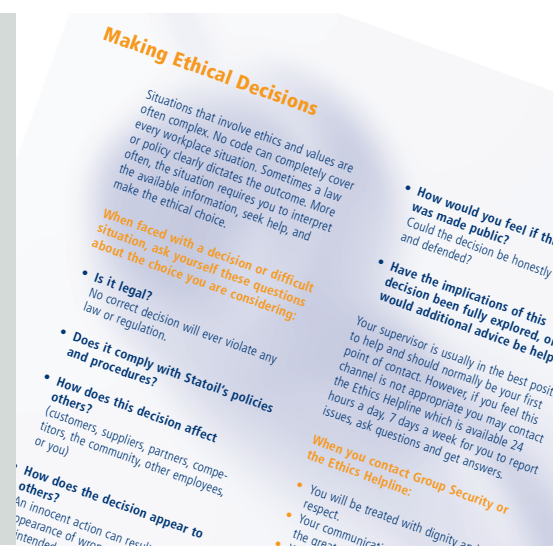
Statoil's system for overall management and control was certified to the international ISO 9001 standard in 2002. The management and control system in Venezuela was also certified to ISO 14001. The methanol business unit was certified to the ISO 9001 standard in 2002.

“The concept of responsibility extends more widely than simply being accountable to shareholders and having a one-sided concern with achieving the best results,” Leif Terje Løddesøl, chairman of the board, *Statoil Magazine* 2002.

Ethics help line

In last year's report, we announced our intention of launching an ethics help line in the autumn of 2002. This facility was put in place by November, and will be evaluated in 2003. It provides all employees with an alternative and confidential means of seeking advice or assistance on matters of an ethical nature or, if necessary, to report concerns about unethical behaviour. The line can be contacted around the clock by fax or e-mail as well as by phone.

Experience so far has been very positive. Although many of the calls received were general inquiries about the service itself, several sought specific advice on ethical issues and a handful involved allegations of misconduct. The majority of those seeking advice expressed satisfaction with the response they received.



Sustainable development is
being able to look our kids in
the eye





Environmental performance

Our goal is zero harm to the environment



Statoil has been active in the North Sea for 30 years. We currently operate 20 Norwegian fields and are expanding internationally into petroleum provinces far from Norway.

Environmental performance

Our goal is zero harm to the environment in the areas in which we operate. We are convinced that the industry's collective ability to meet environmental challenges will depend on energy producers who take innovative approaches to both new and traditional energy carriers. Our ambition is to be among the leaders in this development.

We continued to develop our environmental policy and made it more specific during 2002.

Zero harm defined

- conserving biodiversity by ensuring that no habitats are destroyed, no alien species are introduced and no impacts are felt at the level of populations
- restricting emissions and discharges to below the critical level for relevant ecosystems
- limiting land use, restoring and cleaning used areas when an activity has ended, and conserving landscapes and the cultural heritage.

Our environmental policy is based on understanding the impact of our activities and on applying the precautionary principle – which essentially states that is better to be safe than sorry. This policy forms the basis for defining measures to improve our environmental performance.

Operations in Statoil will comply with national and international regulations. We will develop and apply new technology on a continuous basis to enhance our energy efficiency, environmental performance and products. We are preparing for a carbon-constrained energy market and engaging in the development of non-fossil energy sources and carriers.

The nature of our operations and plans for expanding the business carry the potential for large environmental impacts. We must manage the risks and find solutions to meet the challenges. These relate primarily to:

- climate change
- biodiversity
- discharges and emissions
- product stewardship


“Our challenge is to develop natural resources while raising environmental standards and lowering emissions. Achieving zero harmful emissions or discharges is more than a vision. For us, this represents a very real ambition.”
Olav Fjell, 2002.

A detailed account of Statoil's environmental performance is provided on pages 43-45 and 51-54 in our annual report for 2002.

 www.statoil.com/environment

Climate change

No permanent production flaring



Yellow cabs jam the traffic on Manhattan. We supplied 30 million tonnes of crude to the US and Canadian markets in 2002. Carbon dioxide emissions from our production are comparatively low.

Emissions from the production and use of fossil fuels are expected to contribute to climate change. As an oil and gas company, we will participate in reducing global emissions of greenhouse gases.

Climate change must be tackled through international collaboration. We accordingly support the Kyoto protocol and believe that the mechanisms specified in this document should be applied to achieve cost-effective emission reductions. Our group is a leader in producing oil and gas with low carbon emissions, and has endorsed no permanent production flaring as a corporate standard.

Our approach to reducing greenhouse gas emissions involves:

- developing our leading position in sub-surface injection and storage of carbon dioxide
- pursuing opportunities for commercial use of carbon dioxide which reduce emissions
- implementing cost-effective emission cuts in our operations
- emission trading and projects based on the mechanisms specified in the Kyoto protocol
- supplying customers with carbon-efficient total energy solutions and developing business opportunities for non-fossil energy.

We finalised a programme for carbon dioxide reduction in 2000 and set a target for these cut-backs. By 2010, we aim to reduce the volume of greenhouse gases released from our equity production by 1.5 million tonnes of carbon dioxide equivalent. Results will be calculated by assessing the volume which would have been released if no special measures had been taken, and by comparing that figure with actual emissions.

This is an ambitious target since the level of greenhouse gas released from our petroleum production operations is already very low by comparison with other oil and gas companies.

Performance

Total carbon dioxide emissions from the facilities we operate have grown since 1997 in line with rising production. From 2001 to 2002, the absolute amount of carbon dioxide we released fell from 9.2 to 8.9 million annual tonnes despite an increase in our oil and gas output. One important reason for this performance was good production regularity in our offshore operations.

According to the International Association of Oil and Gas Producers (OGP), the

Prized carbon dioxide reinjection

We received the World Petroleum Congress award of excellence for technological development in 2002 for our work on injecting and storing carbon dioxide in a sub-surface aquifer in the Sleipner area of the North Sea.

Carbon dioxide has been stripped from the gas offshore since 1996, with about a million tonnes injected annually. Experience from Sleipner will be utilised for removal and injection of roughly 700 000 annual tonnes of carbon dioxide on the Snøhvit field in the Barents Sea, which comes on stream in 2006.

Straight talk:

Q: What is the focus of Statoil research on developing clean energy which could contribute to meeting the targets set by the Kyoto protocol?

A: Much of our research effort is aimed at ways of producing oil and gas with minimal carbon dioxide emissions. Areas of interest include injection and storage of this greenhouse gas in deep saline aquifers, as well as using it to increase oil recovery.

Name: Trude Sundset

Nationality: Norwegian

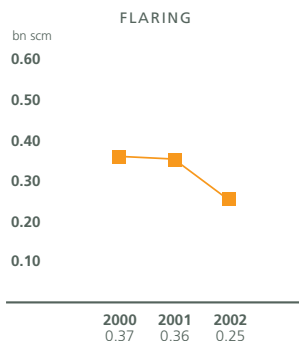
Occupation: Programme manager, Statoil



Other research topics are energy-efficient solutions, micro-power plants, producing hydrogen from natural gas, and renewable energy forms such as pelletised wood shavings and tidal power.

Q: Why isn't renewable energy the main focus of research at Statoil?

A: Although renewables are seen as an increasingly important business opportunity, oil and gas will remain the main energy carrier for at least the next three decades. That's why we're putting so much emphasis on reducing the environmental impact of petroleum production. However, the long-term goal for our new energy unit is to follow any path which could lead to sustainable future energy solutions.



Definition: Flare gas (bn scm) on the Norwegian continental shelf (Statoil operations)

 www.prototypecarbonfund.org

global average for carbon dioxide emissions by the industry is currently about 17.6 kilograms per barrel of oil equivalent produced. By comparison, the Norwegian Petroleum Directorate estimates that the figure for Norway’s continental shelf (NCS) is just over six kilograms. Statoil is Norway’s largest offshore operator.

By 31 December 2002, we had achieved 16 per cent of the reduction specified in our 2010 target.

We have doubled our investment in the World Bank prototype carbon fund (PCF), from USD 5 million to USD 10 million. The PCF is one of the most significant investors in the emerging market for clean development mechanisms (CDM).

We also support the World Bank gas flaring initiative, which aims to reduce gas flaring world-wide through technological improvements and the development of local and regional gas markets.

Owing to slow progress in the political process of determining a regulatory and commercial framework for emission trading, we have not fulfilled our original intention of starting such activity. However, we are continuing to prepare to begin trading once the framework has been put in place.



A “white bear” for the environment

Our development of Kvitebjørn – which means “white bear” in Norwegian – in the North Sea is a prime example of an offshore project in which environmental issues have been addressed from the very start.

High pressure is a special challenge with this reservoir. At the same time, we face the standard challenge presented by produced water with its content of oil and chemicals. Options for dealing with this water include discharging it to the sea, treating it before discharge or injection. The last of these requires power to be generated, thereby increasing carbon dioxide emissions.

Fortunately, innovative thinking combined with a concern for the environment have turned these challenges into an environmental asset. The high pressure in the reservoir will be used to force produced water back down into the reservoir with positive effects on carbon dioxide emissions.

Our engineers have also implemented highly efficient energy systems which are both cost effective and environmentally sound. When Kvitebjørn comes on stream in 2004, it will emit just 2.4 kilograms of carbon dioxide per barrel of oil equivalent produced compared with a world-wide average of 17.6 kilograms (OGP 2001).

This technological solution cannot be implemented everywhere. A different approach has been taken to injecting produced water in the high-pressure Kristin field, which we are also currently developing in the Norwegian Sea, because the sub-surface there is not so well suited as a recipient.

Preparing for new energy

Providing oil and gas to the growing energy market will be our core business for the next few decades. But we will also position ourselves to meet market requirements in a carbon-constrained world. Our goal is to develop a profitable business which leads to sustainable energy production and increased use of clean energy carriers. We have a dedicated business unit for new energy, which is pursuing business opportunities in four areas:

Renewable energy

Bioenergy is playing a significant role in supplying heat in the Nordic energy market. We are producing, marketing and selling wood pellets in all the Scandinavian countries.

The development of green certificates will open business opportunities relating to “green” electricity generation. We are accordingly pursuing commercial possibilities for generating power from renewable sources.

Total energy-efficient supply

A sizable potential exists for improving the efficiency of energy use. We are therefore actively pursuing business opportunities to exploit this potential. One project, for instance, involves mini-plants which can be used for distributed production of combined heat and power (CHP). We have developed a mini-CHP system through the Danish company ECPower, which delivers units for generating 10-20 kW of electricity.

These products are based on well-proven technology. Their prime movers are diesel- and gas-fuelled internal combustion engines. However, the systems are such that the prime movers can easily be replaced by fuel cells or other new and more efficient technology. Hence, this activity represents a major part of Statoil’s efforts to prepare for a future energy system based on fuel cells and hydrogen.

Carbon management

We are actively developing business concepts focused on carbon dioxide, where opportunities exist in capture, transport, utilisation or sequestration. In this work, we draw on our experience from Sleipner East, the carbon capture R&D programme being pursued with several other companies, and the saline aquifer carbon dioxide storage (Sacs) R&D programme supported by the European Union and the US Department of Energy.

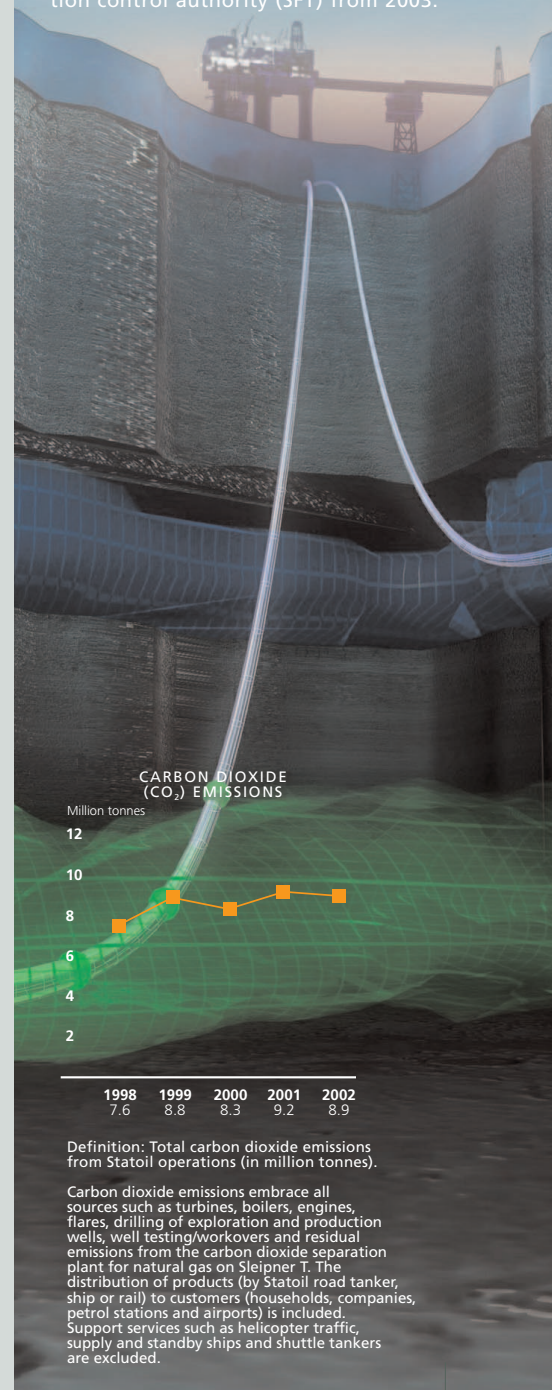
Hydrogen-based energy

By developing our capability as a premier operator for carbon management, we aim to play an active role in developing a future hydrogen-based energy market. Through our involvement in CHP systems, we provide solutions which could utilise hydrogen-driven fuel cells. Developing such systems is important for expanding the hydrogen market and for promoting increased use of this fuel as an energy carrier.

 www.statoil.com/newenergy

Sleipner CO₂ injection

A major part of our emission avoidance and reduction programme will be accomplished through injecting carbon dioxide into the Utsira aquifer on Sleipner East and in our Snøhvit project. In 2002 carbon dioxide volumes reinjected from the Sleipner field were continuously monitored and will be reported to Norwegian pollution control authority (SFT) from 2003.



Biodiversity

Minimising our environmental footprint through cooperation

A fisherman wearing a blue jacket and a hat is holding a large cod fish on a boat. The fisherman is looking down at the fish. The background shows the sea and the boat's structure.

Fishing is Norway's second largest industry and a traditional way of life in coastal Norway. Cooperation and a willingness to listen are essential in safeguarding our common environment and resources.

Biodiversity

Biodiversity is nature itself – all living creatures and plants, and the ecosystems of which they form part and which provide humanity with food, medicines, natural resources and recreation.

Our goal for biodiversity is to conserve it by ensuring that no habitats are destroyed, no alien species are introduced and no impacts are felt at the level of populations.

We recognize that risks and potential impacts on biodiversity and other conservation interests may lead to the exclusion of oil and gas development in some areas. Predefined “no-go” areas are not part of our measures for protecting biodiversity. We believe that in most cases good technical solutions can be found which contribute to biodiversity conservation and allow for growth and development of the area. In areas where this is not the case, our options are to develop new technology, defer activity or divest. We respect conservation areas defined by the authorities.

The main measures we apply to avoid reducing biodiversity are environmental impact assessments, methods for calculating environmental risk, stakeholder dialogue, development of new environmental technology, and research to understand risks better.

Performance

Statoil has become a frontrunner in developing environmental impact assessments throughout our operations. In 2002, we finalised two of these evaluations for extension projects at the Kårstø processing complex in Norway and prepared an update for a new regional assessment of the Norwegian Sea on behalf of the Norwegian Oil Industry Association (OLF). Internationally, work was initiated on an integrated environmental and social impact assessment for the Plataforma Deltana project in Venezuela, and on an environmental impact assessment for a possible gas-to-liquid (GTL) project in Iran.

To develop better guidelines on how to integrate biodiversity concerns in oil and gas projects, we have contributed to a joint industry collaboration on biodiversity through a joint working group set up by the International Petroleum Industry Environmental Conservation Association (IPIECA) and the OGP.

Target

- Incorporate the guidelines and methods developed through the energy and biodiversity initiative (EBI) cooperation into our management processes.

Cooperating for biodiversity

Conserving biodiversity is a key element in sustainable development. To improve our practice with respect to biodiversity conservation, we are participating in the energy and biodiversity initiative (EBI) with three other oil and gas companies – ChevronTexaco, BP and Shell – and five major environmental organisations – Conservation International, the Nature Conservancy, Fauna and Flora International, the Smithsonian Institution and the World Conservation Union (IUCN). This collaboration began in 2001. The report from the first phase of the EBI will appear in June 2003. Results from the project have already been incorporated in a revision of our environmental policy and management. The EBI received the World Summit business award for sustainable development partnerships in 2002. We will continue our involvement in the EBI.

Straight talk:

Q: What technological solutions make it sustainable for Statoil to pursue a development in the environmentally-demanding Barents Sea?

A: The most important consideration is that Snøhvit contains gas rather than oil. This makes the position less problematic, because gas fields pose fewer risks. We avoid the threat of spills and the volumes of produced water which an oil development would involve.

Name: Jorunn Klovning
Nationality: Norwegian
Occupation: HSE manager, Tromsø Patch, Statoil



Second, Snøhvit embraces a land-based processing plant. That gives us more space, which in turn provides better opportunities for gas treatment. The Snøhvit facilities will include a biological treatment plant.

Finally, it is important to note that we and our Snøhvit project team embrace great technological expertise. The zero-harm policy is enshrined in our core values. Snøhvit presents vast technology opportunities. But the choices being made reflect our commitment to causing no environmental harm to the areas in which we operate.

Limiting emissions and discharges

New technology raises environmental standards



Running on gas. *Viking Energy* is the world's first supply ship fuelled by natural gas. We took delivery of this vessel in April 2003, and a sister ship is under construction. The volume of nitrogen oxides released will be reduced by the equivalent of emissions from 40 000 cars.

Limiting emissions and discharges

To meet our goal of zero harm to the environment, we will seek to limit emissions and discharges to below the critical level for relevant ecosystems. While working towards our targets, we also need to manage the risks inherent in ever-stricter regulation.

We are currently working to meet the demands of the EU directive on integrated pollution prevention and control (IPPC), which requires best available techniques to be in place by 31 December 2007 for existing installations on land and offshore.

The Norwegian authorities, in cooperation with the oil industry, have set a target of zero harmful discharges to sea from offshore installations by the end of 2005.

Under the Gothenburg protocol, Norway and other countries are committed to reducing emissions of volatile organic compounds (VOC), nitrogen oxides and sulphur oxides. The oil and gas industry must accept its share of these cuts. Environmental awareness is also rising in other areas of the world, accompanied by tighter regulation.

Our main response to these challenges is the development and implementation of new environment-friendly technology. We have also raised our operational standards in a number of areas.

Performance

We continued to implement new technological solutions during 2002 which phase out environmentally-hazardous chemicals. Throughout the year, bacteria were used to increase oil recovery from our Norne field in the Norwegian Sea. This project represents an ambitious application of our own research, and allowed us to upgrade reserves in Norne without increased use of chemicals.

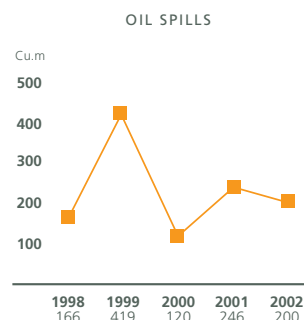
Work continued in 2002 to develop new technological solutions for reducing the environmental impact of produced water discharges. We tested a new C-tour treatment technology for produced water on the Statfjord field in the North Sea. This can be installed on existing installations where the water cut is rising as the field becomes more mature. About 70 per cent of the harmful compounds were removed from the produced water. The technology will be qualified for field installation in 2003.

On other installations, we applied new technology which reduces the need for harmful chemicals to remove hydrogen sulphide (H₂S) from the natural gas stream. Results on our Åsgard field in the Norwegian Sea indicate that a 30 per cent reduction can be achieved.

In addition, we have installed a pilot system for produced water injection on Statfjord C. A third of all the produced water on the installation will be injected during 2003.

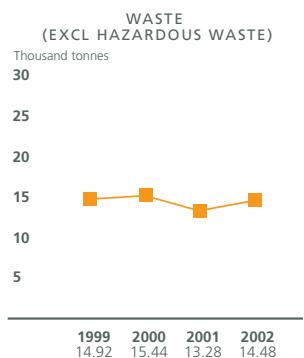
No single technical solution can reduce the impact of discharging produced water. Instead, solutions must be tailored for each field and reservoir.

We are set to meet the Norwegian government's requirement for zero harmful discharges from our oil and gas fields by 2005.

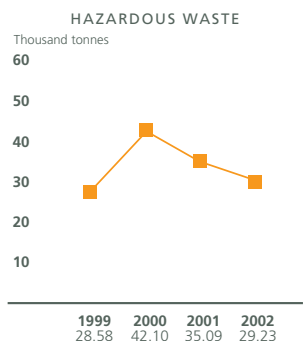


Definition: The total volume (in cubic metres) of unintentional oil spills to the natural environment from Statoil operations.

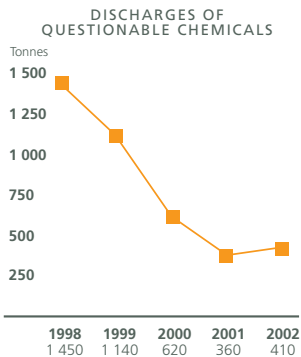
All unintentional oil spills are included in the figures with the exception of those collected inside a facility (platform/plant) and which accordingly cause no harm to the surrounding environment. However, such spills are included for downstream operations.



Definition: Total amount of waste for landfill and for recovery (excl hazardous waste) from Statoil operations (in thousand tonnes).



Definition: Total amount of hazardous waste from Statoil's largest land-based plants and operations on the NCS (in thousand tonnes). Hazardous waste is defined by national legislation in each country.



Definition: Discharges of questionable chemicals to sea from Statoil operations on the NCS (in tonnes). Questionable chemicals are defined by national legislation.

A new set of criteria was adopted by our group in 2002 for future operations in the Lofoten area of the Norwegian Sea and in the Barents Sea – in other words, above the 67th parallel – and in other environmentally sensitive areas defined by the authorities. These criteria are:

- no regular discharges of produced water*
- drilling waste to be reinjected or taken ashore for treatment unless other solutions show less environmental impact or pose a reduced safety risk – drilling the top hole is excluded.

*In the event of irregularities, the produced water will be treated using the best available techniques (BAT) prior to discharge.

Reducing nmVOC emissions

Targets have been set for cutting non-methane VOC (nmVOC) vapour released from crude oil during offshore loading into shuttle tankers. These compounds contribute to local ozone formation.

We have been the prime mover in a collaboration by 23 oil companies with licence interests in Norwegian fields where oil is loaded offshore. Our aim is to reduce nmVOC emissions during these operations.

Seven ships have been fitted with VOC recovery technology, including six which sail for us. By 30 March 2003, 40 per cent of the volume loaded on the NCS was covered by emission-reduction technology in line with the target specified in our first sustainability report.



Recycling giants


Statoil focuses on achieving maximum waste reduction and on separating waste and recyclable materials at source in all our operations, both on land and offshore. Our objective is to reuse as much surplus material and equipment as possible.

We place great emphasis on the sale of surplus hardware, from platforms, through modules, pumps, pipes and valves, to nuts and bolts.

Surplus equipment is offered for sale in various markets. We ensure proper compliance with relevant rules and regulations, and that equipment is documented from cradle to grave. Environmental reports are issued as required, which ensures the traceability of all components from abandoned platforms.

The sale of the Troll A package drilling rig and the Next Step project for replaced computers were major reuse projects in 2002.

Our annual sales of surplus equipment are worth in the order of NOK 50 million.

 www.statoil.com/surplus


Engaging the next generation

Young Agenda 21 is a Stavanger-based environmental organisation established in 2000 with Statoil as one of its initiators and founders.

It has been based on the goals set out in the Agenda 21 programme approved at the Rio environment and development conference in 1992. This aims to involve children in decisions affecting their future environment, and to make their views clear to those who hold positions of authority in today's society.

Young Agenda 21 works with other groups in Norway, such as local authorities, environmental organisations, the Green City Foundation and similar bodies concerned with environmental issues and education.

Every other year, Young Agenda 21 arranges an international environment conference for children. The latest event took place in May 2003, bringing together about 600 children from 20 countries. Participation was free and open to groups from Norway and abroad. Children presented environmental projects closely related to their home communities, and discussed challenges and sustainable solutions in different areas – such as biodiversity, environment-friendly transport and consumption, and cooperation between schools in rich and poor countries.

 www.ung-agenda-21.no

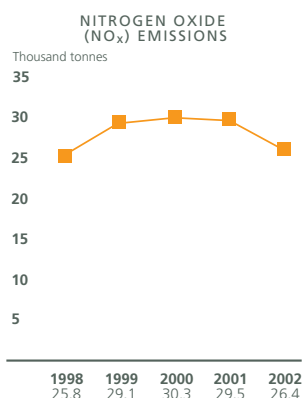


Target

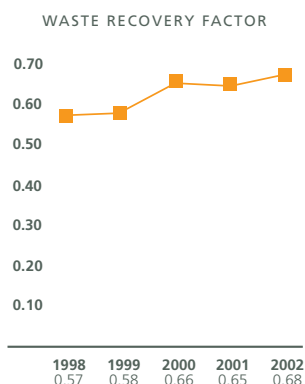
- The next target is for 2005, when 70 per cent of Norwegian oil loaded offshore must be carried on tankers fitted with VOC-reduction technology.

Raising standards for oil transport

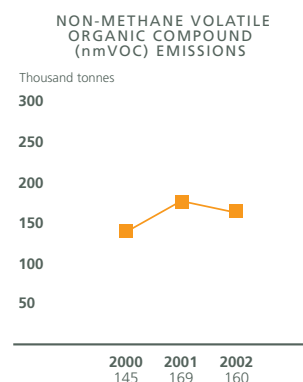
It was decided in 2001 that vessels above 5 000 deadweight tonnes required a double hull or double bottom, and it was recommended in 2002 that the double hull requirement should be imposed for all calls to the US east and Gulf coasts when carrying persistent oil.



Definition: Total emissions of nitrogen oxides from Statoil operations (in thousand tonnes).



Definition: The waste recovery factor comprises commercial waste from Statoil operations and represents the amount of waste for recovery in relation to the total quantity of waste (hazardous waste not included).



Definition: Total emissions of non-methane volatile organic compounds (nmVOC) from Statoil operations on the NCS, including offshore loading (in thousand tonnes).



Construction work has started on Melkøya island outside Hammerfest in northern Norway.

Snøhvit

Operating in an Arctic environment

We are now developing the Snøhvit field in the Barents Sea, which ranks as the first natural gas project in these waters and sets a new technical standard for minimising the environmental footprint.

The project also brings development and high-level expertise to the very north of Norway, and moves us into the liquefied natural gas (LNG) market. Because the Barents Sea is a new arena for petroleum development, ensuring that the project is executed in a sustainable manner and maintaining a close dialogue with stakeholders have been of the utmost importance.

Snøhvit will contribute positively to local communities and Statoil alike. We cooperate with the Snøhvit Industry Association, for instance, which was created to channel direct contacts between the project and local businesses.

The Snøhvit project includes an offshore development in the Barents Sea based on remote operation from Melkøya outside Hammerfest, a pipeline to land, a land-based gas liquefaction plant and export of products by ship. Construction work is now in progress at the Melkøya site, with production scheduled to start in 2006. The total investment is NOK 45.3 billion.

Including stakeholders in the planning process

The special focus on dialogue with local authorities and industries has been essential to the success of the project. An environmental impact assessment was published for public consultation in early 1999. The assessments carried out for Snøhvit have been more comprehensive than studies performed in any other Statoil project so far.

In addition to the mandatory consultation process, close dialogue and communication have been maintained between us as operator and affected parties and local stakeholders – such as fisheries organisations, the indigenous Sami people of northern Norway, businesses and local authorities. Several public meetings have been arranged with the local population, as well as ad hoc meetings with NGOs.

The main topics of discussion with stakeholders have been how to minimise negative impacts and produce positive spin-offs for the local community. Registration, mapping and conservation of archaeological remains on Melkøya and at Meland have also been of interest. And a close dialogue has been conducted with the national environmental authorities on ways of minimising the impact of the land plant.

Several environmental NGOs are opposed to the Snøhvit development and any other form of petroleum activity in the Barents Sea. Peaceful protests were accordingly staged in Hammerfest in 2002, which delayed the start of construction work on Melkøya. We have held numerous meetings and discussions with these stakeholders.

New technology minimises the environmental footprint

The project is planned to provide optimal environmental and financial perform-

Q: What are the key arguments deployed by Nature and Youth in opposing any oil and gas operations in the Barents Sea?

A: The Barents Sea is one of the richest and most valuable areas in the world, and needs to be protected. These waters are one of the most important breeding grounds for cod. An accident here would have serious consequences for these fish. A worst-case scenario would wipe out a whole annual class. We believe the risks are so huge that the oil industry should stay away from this sensitive area.

Name: Ane Hansdatter Kismul
Nationality: Norwegian
Occupation: Head, Nature and Youth environmental organisation



Q: The Russian sector of the Barents Sea has been opened for oil and gas operations. Should this have any effect on the Norwegian side?

Nature and Youth believes strongly that we shouldn't start oil operations in the Barents Sea at all. The fact that the Russians have approved such activity doesn't mean it's OK to open the Norwegian sector. On the contrary, we see this as yet another argument against launching oil operations in our part of the Barents Sea.

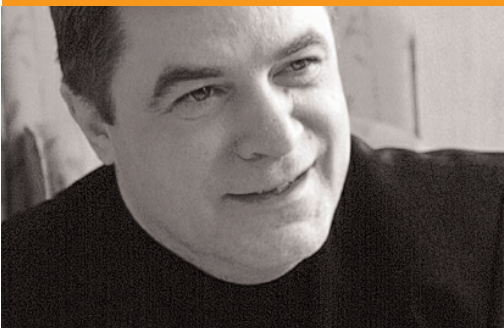
Straight talk:

Q: How will your community be affected socially, economically and environmentally by Statoil's involvement off northern Norway and its Snøhvit development?

A: Hammerfest has become a different type of industrial town. This has made us more international. I believe Snøhvit will give us a more diverse economic base. We'll become attractive to different types of business, which means a welcome increase in our population.

Several environmental challenges must be faced. Our region includes summer grazing lands for reindeer, and developments will attract objections from their herders. Carbon dioxide emissions also represent a threat, even though Statoil is meeting its obligation to keep these at a minimum.

Name: Alf Jakobsen
Nationality: Norwegian
Occupation: Mayor of Hammerfest



Q: How has cooperation been with Statoil on these issues?

A: Communication between the sides has been very good. We've held regular meetings. The council has received financial support from Statoil to help meet our costs during the process. We'd have liked to see even greater involvement in this respect, but we understand that Statoil also has its limits.

Under scrutiny – Snøhvit

ance. Production will utilise subsea templates and be remotely controlled from land. All liquid streams to and from the field structures will flow in closed loops, with zero discharges during normal operation. The pipeline route has been determined through close consultation with the fisheries organisations.

Construction of the gas liquefaction plant utilises the best available technology, developed by Statoil in cooperation with main contractor Linde. Care has been taken to reduce the consumption of energy and materials.

Carbon dioxide in the wellstream will be separated at the land plant and piped back offshore for injection into a suitable formation. This represents the first offshore development, to our knowledge, where this greenhouse gas is separated on land and injected. It will reduce emissions by 50 per cent over the lifetime of the project.

Fitting low-nitrogen oxide burners on turbines minimises emissions of these gases. And a highly sophisticated effluent treatment system will keep discharges to the sea from the gas liquefaction plant on Melkøya to a minimum.

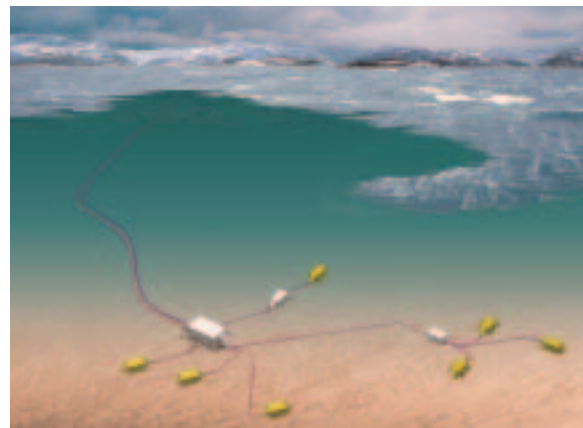
Establishing a large industrial operation close to a small town like Hammerfest creates not only interesting opportunities but also substantial challenges. It puts pressure on the local labour market, areas need to be zoned for new housing and residences built, and infrastructure such as transport, roads and water supply must be upgraded along with local services. And the community must accommodate more than 1 000 workers during the construction phase and assimilate a few hundred new employees at the gas liquefaction plant.

Sustainable development of the Barents Sea

Potentially large oil and gas resources may exist in the Barents Sea. Successful execution of the Snøhvit project will demonstrate that the petroleum industry can live side-by-side with the existing fish-based industry in this region.

Our performance on Snøhvit, together with the results of current regional environmental impact assessments, should open the way to a sustainable, prosperous and long-lasting petroleum industry in the area. That will benefit the companies involved, the region and the country.

 www.statoil.com/snohvit



Trawl safe. The whole offshore part of the Snøhvit development is subsea. Protective structures to be placed over the seabed templates on the field have been successfully tested with trawls and other fishing gear.

Product stewardship

Challenges

Product stewardship is a management process designed to improve our HSE performance. We produce, market and sell a wide range of products – such as crude oil, natural gas, automotive fuels, heating oils, wood pellets, central heating systems, methanol, bioprotein, chemicals, lubricants and electricity.

Producing petroleum products generates discharges to the sea and emissions to the air, and uses energy. Producing “cleaner” fuels generally requires a larger energy input. Standardisation bodies and regulatory authorities define minimum quality and property specifications for fuels and heating oils. These are uniform within the industry, since the various brands must be interchangeable.

We aim to develop oil and gas products which are effective and meet consumer needs, and our products must be designed to minimise both resource requirements and environmental impacts. New knowledge is constantly being obtained about the impact of our products, and innovative engine and exhaust technologies are also steadily emerging. The quality of our products must develop accordingly.

Performance – reporting on existing targets

The Mongstad refinery north of Bergen, which we own together with Shell, has invested in desulphurisation equipment that will allow it to reduce the sulphur content in petrol to 10 parts per million (ppm) by 2003. This is two years before new EU standards are implemented. Our Kalundborg refinery has also invested in diesel process equipment, and met the same requirement as early as 2002.

In Sweden, 27.7 per cent of the petrol we sell is blended with up to five per cent bioethanol, a technical alcohol normally produced by fermenting biomass. We also sell biodiesel produced from rapeseed oil in this market.

We entered the bioenergy heating market in 1999, when we bought our first wood pellet plants in Sweden and Norway. We have continued to invest in production facilities and distribution channels for this biofuel in Norway, Sweden and Denmark.

Made from forest industry waste, wood pellets provide two to five times the energy content of the unprocessed material. Offering an alternative to heating oil, natural gas and electricity, they are used in central and district heating systems as well as in domestic pellet stoves.

We also use pellet boilers in our new business concept of providing heating packages to buildings. As part of the same concept, we offer customers an environmental account for each site which allows them to keep track of emission savings compared with traditional heating sources. We sold 81 000 tonnes of wood pellets in 2002 as against 42 000 tonnes the year before.

In 2003, we intend to incorporate life-cycle analyses (LCAs) into our management system. We will continue working to improve our integrated management system for product stewardship.

Straight talk:

Q: What are the main aspects of Statoil's operations which the WWF will keep under close observation in the near future?

A: Like all players in the community, the oil and gas industry must accept that society's interests and concerns impose restrictions on its activities. A petroleum company claiming to be socially responsible has to acknowledge that some areas should be protected from exploitation as “no-go”.

Unfortunately, Statoil is fiercely opposed to the establishment of “petroleum-free” zones in the Barents Sea – one of Europe's most valuable ecosystems.

Name: Rasmus Hansson

Nationality: Norwegian

Occupation: Secretary-general, World Wide Fund for Nature (WWF) Norway



Production and use of fossil fuels can never be environmentally sustainable. If Statoil were truly committed to sustainability, it would either cease operating or convert to delivering energy from new renewable sources.

As its global operations expand, Statoil's environmental practices will be of increasing interest to a global non-governmental organisation like the WWF. We appreciate the group's openness to dialogue, but this must lead to specific environmental commitments. It's time for Statoil to prove that “sustainability” is more than a buzzword.

Economic performance

Creating value for shareholders and society



Going for growth. New financial targets for 2007 were set by the Statoil group in the spring of 2003. The performance of the Sleipner A platform, pictured here, will contribute to meeting these.

We believe that being committed to our responsibilities for the environment and for society is a prerequisite for long-term sustainable business success. Similarly, a company must achieve commercial success and create value for its owners if it is to be sustainable. Statoil will create consistent good value for our owners. When we were listed on the Oslo and New York stock exchanges in June 2001, we set targets for further improvements to our efficiency and financial performance. We are on track for meeting these objectives. New targets for 2007 were set in June 2003.

Profitability creates value for shareholders

We achieved an income before financial items, taxes and minority interests of NOK 42.1 billion in 2002. This represented a decline from NOK 56.2 billion for the year before, reflecting narrower downstream margins and weaker oil and gas prices measured in NOK.

To measure our financial performance, we calculate the return on average capital employed (RoACE). This figure came to 14.8 per cent in 2002, which compares very well with our main competitors. Among other factors, the rate of return is influenced by oil and product prices as well as currency fluctuations. To create an indicator for measuring our own performance, we calculate the rate of return based on a set of normalised price assumptions, such as a flat oil price of USD 16 per barrel. Normalised for such external factors, the rate of return shows an improvement of 1.4 per cent in our financial performance for 2002, giving a normalised return of 10.8 per cent. We have set a normalised RoACE of 12 per cent as the target for 2004.

Another important efficiency measure is our capital expenditure on finding and developing oil and gas resources. Measured as a three-year average per barrel of additions to proved reserves, our costs were USD 6.2 per barrel of oil equivalent as against USD 9.1 in 2001. That reflects good progress towards our target of USD 6 per barrel of oil equivalent in 2004.

Statoil is a high-yield company, and our shareholders received a dividend of NOK 2.90 per share for 2002. The dividend yield rate for 2002 was in excess of five per cent of the share value, making us one of the leading yield companies in the oil and gas sector.

Key performance targets			
	2002	2004 target	2007 target
RoACE ¹	10.8%	12%	12.5%*
Production (1 000 boe/d)	1 074	1 120	1 300
Reserve replacement rate ²	0.78	> 1.00	> 1.30
F&D cost (USD/boe) ²	6.2	< 6.00	< 6.00
Production cost (USD/boe) ¹	3.0	< 2.80	< 3.20

¹Normalised ²3-year average
*13 per cent based on 2004 target assumptions

Straight talk:

Q: Your company selects firms for inclusion in the Dow Jones sustainability index. What level of detail is applied in this process, and how frequently is it carried out?

A: We reassess companies once a year, which is a fundamental evaluation. We also monitor them daily. If a company is responsible for an environmental disaster, for instance, we reserve the right to exclude it from the index at any time during the year.

Name: Colin Le Duc
Nationality: Dutch
Occupation: Head of research operations, Sustainable Asset Management (SAM)



Q: What are the two key challenges facing Statoil in becoming a global player?

A: Statoil's close association with, and dominant ownership by, the Norwegian government can sometimes blur the boundaries of corporate responsibility. It may therefore need to reassess its responsibilities when doing business outside Norway, to ensure that risks are managed and opportunities seized.

The group must also start to explore the field of renewable energy. It has a fantastic performance in areas such as upstream technology, but that may not be sufficient to be truly considered a sustainability leader.

Financial targets

We have built a financially solid group and a competitive expertise base, and have developed and invested in strong assets. Over the next few years, we will further strengthen our international asset base and develop into an even more capital-effective company.

Building our business

The sustainability of our business can also be measured by reserve growth. In 2002, we added one barrel to our reserves for every barrel we produced. Our proved reserves at 31 December totalled 4 267 million barrels of oil equivalent. Gas reserves now outstrip our oil holdings.

This shift from oil to gas is also reflected in the expansion of our gas production during 2002. Growth in the gas market represents a positive environmental development, since this fuel often replaces coal and oil in power generation.

The growing UK gas market is a particular target. In addition, we have secured direct access to the US gas market by acquiring the right to use one-third of the processing capacity at the Cove Point LNG terminal in Maryland. We intend to sell LNG from Snøhvit into the US market.

Our investment rose from 2001 to a total of NOK 20 billion in 2002. More than half of this spending went on new NCS projects. We operate a large portfolio of Norwegian offshore and land-based developments. Our daily NCS production is expected to average one million barrels of oil equivalent in 2004.

International investment by Statoil is expected to reach 40 per cent of total capital spending over the next two years. In 2002, we secured the operatorships for the offshore part of phases six-eight in Iran's South Pars development and for the exploration phase of block 4 in the Plataforma Deltana area off Venezuela. In early 2003, we were named commercial operator, covering gas sales, contract administration and business development, for the South Caucasus Pipeline in the Shah Deniz development off Azerbaijan. We sold our wholly-owned Navion ASA shipping company to Teekay Shipping Corporation on 7 April 2003.

 www.statoil.com/ir

Economic impact

Economics deals with the way human and natural resources can be applied to create prosperity and build society. As such, this subject extends beyond the boundaries of a single company and is inextricably linked with both environmental and social aspects of sustainable development.

The income generated from petroleum resources has an enormous development potential. However, some nations, regions and communities have failed to benefit as they should or could from the utilisation of their oil and gas reserves. This is sometimes called the "paradox of plenty", where the potential benefits of oil riches are squandered by bad governance – inefficient investment, waste and corruption.

We believe that, by running our business profitably and efficiently in a responsible manner, we can help give people in our host communities a better life. One of our most important contributions to the local and national communities in

Economic performance

which we operate can be measured in terms of economic impact – the effect of our investment on employment, procurement of goods and services, transfer of technology and expertise, and tax revenues. These spin-offs have multiplier effects, all of which may generate local growth and development.

In Norway, our macroeconomic impact can be traced at a national level. Taxes paid by Statoil ASA, the parent company, totalled NOK 31 634 million in 2002. This is the main component in our contribution to Norwegian social welfare. In other countries, where tax payments are not as high and public revenue is distributed in a different manner, we also work through partners in making more contributions to the local community (see our Azerbaijan case on page 38, for instance).

We had 17 115 employees at 31 December 2002, including 5 901 working outside Norway. During the year, we operated 13 development projects in Norway and participated in 10 development projects internationally. According to an analysis for the period 2003–2015 conducted by Statistics Norway (SSB) in 2003, the effects of the establishment of one new job in the oil industry generates an average of 2.2 new jobs outside the oil industry. These numbers will probably be different in other countries with less well-established infrastructure and services.

Publish what you pay - signature bonuses to host governments

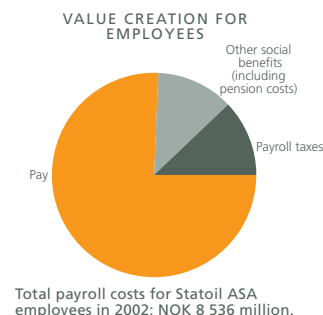
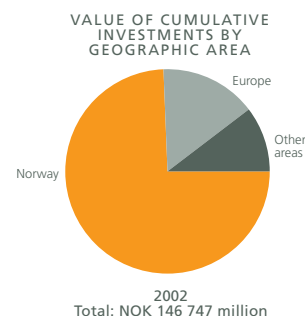
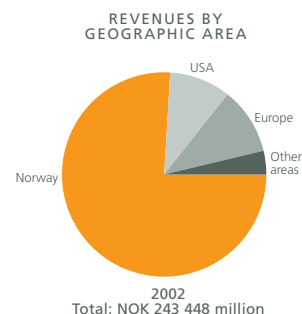
The signature bonus system is common in many oil-producing countries. A payment is made up front to the host country for the right to develop a block commercially before work begins. This system is a widely recognised and legally accepted way for an oil company to secure the right to explore a certain field or block. It is also important to note that paying a signature bonus for a licence does not necessarily imply future revenues for the company from oil production in the same licence.

The international debate on transparency and accountability in the extractive sector gained increased momentum in 2002. At the Johannesburg summit, UK prime minister Tony Blair launched an initiative with this in mind.

Global Witness and its “publish what you pay” campaign has also challenged the oil industry. Enlisting more than 80 NGOs, this organisation has demanded that governments require transnational extraction companies to publish net taxes, fees, royalties and other payments made to host governments.

In our response to this campaign, we welcomed it as an initiative which can help to address the expectations of stakeholders and further clarify the responsibility of companies for transparency.

We secured the operatorship of block 4 in the Plataforma Deltana area off Venezuela early in 2003, and paid a signature bonus of USD 32 million. We also paid a signature bonus of USD 4.8 million for a licence in Brazil in 2002. These were the only payments of their kind over the past year.





Gas travels. The South Caucasus pipeline will deliver natural gas from the Shah Deniz field off Azerbaijan to the Turkish market. Statoil's share in the development is 25.5 per cent.

Statoil in Azerbaijan

The independent republic of Azerbaijan which emerged from the dissolution of the Soviet Union found itself initially in a deep economic and political crisis.

Azerbaijan has seen positive growth in GDP since 1996, with an average annual growth of 9.8 per cent between 1998-2002 (Economist Intelligence Unit: Country Report 2003-04), and political and economic reforms have gradually been implemented.

However, obstacles exist to sustainable growth and development. The Norwegian Refugee Council estimates that there are about 800 000 refugees and displaced persons in Azerbaijan, which provides a serious challenge. Transparency International has identified corruption as another of Azerbaijan's main challenges.

As one of the largest foreign investors in this country, our most important contribution to its development must necessarily derive from our commercial involvement. But we also have a broad social commitment beyond our core business.

Economy

Azerbaijan is now on the threshold of the third oil boom in its history.

Investment in the Azeri-Chirag-Gunashli (ACG) field, the Baku Tbilisi Ceyhan pipeline (BTC), the Shah Deniz field and the South Caucasus Pipeline (SCP) could reach USD 20 billion by 2010.

 www.caspiandevlopmentandexport.com

This spending not only yields a financial return for the companies involved, but also provides sorely-needed employment, growth and industrial spin-offs in the host countries. Calculations by the operator, published in the Regional Review at www.caspiandevlopmentandexport.com, indicate that these projects could provide a revenue base totalling USD 27-65 billion for Azerbaijan, Georgia and Turkey.

- ACG: USD 21-58 billion (at an oil price of USD 16-25 per barrel, from 1993-2024) for Azerbaijan. Government revenues for 2001 were about USD 786 million.
- BTC: USD 2.4-3.4 billion (in 2005-24) – Azerbaijan USD 600-700 million, Georgia USD 600-900 million and Turkey USD 1.2-1.8 billion. In addition, substantial revenues will flow to state oil companies in Azerbaijan and Turkey as shareholders.
- Shah Deniz and the SCP: expected to total some USD 4 billion (1996-2031), with Azerbaijan receiving USD 3.5 billion and Georgia USD 500 million.
- Annual operating expenditures in Azerbaijan could total more than USD 300 million by about 2010. In addition, the multiplier effect on growth in domestic demand is estimated at 1.4.
- Procurement of local goods and services in Azerbaijan, Georgia and Turkey could reach USD 4.8 billion during the construction phase. It is estimated that up to 10 000 people could be temporarily employed at peak. The operational phase will provide some 1 500-2 000 permanent jobs. An extensive training programme has been launched to develop and extend local expertise.



Sticking to the message in a number of languages. The HSE poster sums up our corporate vision and policy on health, safety and the environment. It is being translated into new languages as we expand internationally.

We are also involved in a number of other areas with the aim of promoting development opportunities for Azerbaijani industry:

- We are a co-owner of the Enterprise Centre (www.ecbaku.com), which opened in May 2002 and aims to boost business opportunities for local industry. Offering training, support and advice to small and medium-sized enterprises, this facility reached its 2002 goal of expanding the commercial involvement of local companies in projects by 25 per cent. Even more ambitious targets have been set for 2003.
- We were instrumental in establishing the Business Development Alliance (BDA) in 1999. Inspired by the Norwegian oil model, this works for increased local participation in the petroleum industry. We agreed in 2002 to help fund the creation of a permanent secretariat with an executive director.
- With other oil companies, we have collaborated with the World Bank's International Finance Corporation (IFC) and Germany's GTZ development agency in a three-year programme which offers tailored technical and financial advice to local sub-contractors in the oil and gas sector. The aim is to improve opportunities for Azerbaijani companies to win orders from internationally-backed developments.

The environment

Our impact on the natural environment derives primarily from involvement in petroleum projects. Comprehensive environmental and social impact assessments have been carried out by the projects in which we are a partner, and boundaries have been shifted in terms of transparency.

The fact that impact assessments, production sharing agreements and other key documents can be downloaded from the internet at www.caspiandevlopment-andexport.com represents a historic step forward.

We have also initiated or supported a number of measures to promote HSE in Azerbaijan:

- the first international upstream office in Statoil to be certified to the ISO 14001 environmental standard
- helped to establish an environmental laboratory in Azerbaijan, which now plays an important role in local environmental analysis and monitoring
- with Norway's Ministry of Foreign Affairs, funded courses and provided guest lecturers for programmes on ecology and the environment at Baku's Western University over a number of years
- financed the creation of a local environmental web site in 2002, with news stories, analyses and information on local challenges
- collaboration with the Organisation for Security and Cooperation in Europe (OSCE) on a programme for environmental monitoring of rivers in the Caucasus, and will be contributing USD 75 000 in 2003-05 to environmental scientists in Azerbaijan and Georgia
- helped in 2002-03 to fund work to draw up local safety regulations based on international standards.

Social investment and human rights

Statoil Azerbaijan will act in an ethical and socially responsible manner, and we are committed to fair employment practices. Outside our core business, we also have a portfolio of social projects which contribute to local development. These reflect our attitudes and base values.

We plan to contribute USD 1.2 million to various social and environmental projects in Azerbaijan during 2003. The budgeted spend in 2002 was USD 624 000. Our group has four priority areas for project-related social responsibility in Azerbaijan – human rights, health and education, governance and humanitarian aid.

Social investments in Azerbaijan

- We are pursuing a project on human rights training in Azerbaijan schools in cooperation with the Norwegian Refugee Council and the Norwegian foreign ministry. At 31 December 2002, 14 regional training centres had been established. The aim is to train 900 teachers in 2003. Our contribution was USD 33 000 in 2002 and will be USD 50 000 for 2003.
- We are the primary supporter of the establishment of Azerbaijan's first crisis centre for women, which has received 1 400 visitors and 2 500 callers to its crisis line since November 2001. It offers free legal, medical and psychological help.
- Through the UN High Commissioner for Refugees, we are helping to rehabilitate primary schools in Baku's refugee quarters. Sixteen schools were built or upgraded in 2002, and the project aims to achieve the same number in 2003. Our contribution was USD 50 000 in 2002 and is unchanged for 2003.
- We support Azerbaijan's own reform initiatives to align its electoral law with international standards, and funded advice in 2002 from the International Foundation for Election Systems (IFES).
- An agreement we concluded with the Red Cross in 2002 on helping internally displaced people aims to repatriate 150 families from the refugee camps. We are contributing USD 100 000 in 2002-03 to an agricultural project for families who have returned home, providing jobs and income for people who have long been entirely dependent on state support.
- In connection with the 10th anniversary of our presence in Azerbaijan in 2002, we donated USD 50 000 to the Norwegian Refugee Council's housebuilding project for internally displaced people. This built 20 new family homes in the village of Beylagan, near the area occupied by Armenia.



Social performance

Responsibility for employees and communities



Ronke Ibrahim is financial operations manager at Statoil Nigeria. This was the first African country in which we began activities.

The role of industry in fighting poverty and promoting human rights

We are committed to contributing to value creation, expertise development and transfer of experience in the countries in which we operate. Furthermore our policies are designed to promote fundamental standards of human rights, labour rights and the environment.

But assessing our impact on the communities in which we operate is difficult. This is a challenge we share with the business community in general. Impacts are often complex and indirect, and commonly acknowledged and robust methodologies have yet to be developed for assessing how companies affect the overall human rights position or the level of poverty in a society, for instance.

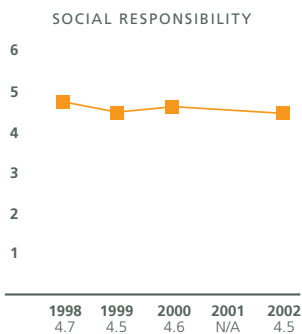
However, the development of social impact assessments has proved important for evaluating our projects on the NCS.

Benchmarking our social performance

To improve our performance, we need to benchmark our performance for social and environmental responsibility against other companies. In 2002, we were deemed together with seven peers to be "among the leading companies in the oil industry" by the Dow Jones Sustainability Index (DJSI) World. In early 2003, our group was also selected to join our peer companies in the FTSE4Good index. Maintaining these positions is one of our aims.



Statoil qualified for the Dow Jones Sustainability Index in September 2002, which positioned us among the top 10 per cent of oil companies in the world for sustainable development. We were also included in the FTSE4Good index in March 2003.



"I am confident that Statoil displays social responsibility and acts in accordance with basic human rights wherever it has operations"

Source: Amou

Straight talk:

Q: How can companies operate in countries in which basic human rights are being violated?

A: Amnesty International doesn't have a specific checklist or set of conditions which can determine if a company should operate in a particular country. Human rights are too important for that. We work towards the elimination of human rights abuses and violations by states and non-state actors.

Name: Salil Tripathi
Nationality: Indian
Occupation: Researcher, economics and human rights, Amnesty International



However, we expect companies to respect the universal declaration of human rights and adhere to the core conventions of the International Labour Organisation wherever they operate.

In addition comes a commitment to not using forced labour, providing appropriate human rights training for security personnel, carrying out a public assessment of the human rights impact of the company's operations, and making that assessment verifiable and monitorable.

International businesses are important entities in their own right. Investment, trade, and presence carry responsibility. In certain countries, some corporations may be in a position to advocate human rights, and we encourage them to use this influence.

We expect companies to observe sound human rights principles and practices wherever they operate.

Straight talk:

Q: Should international companies be allowed to use armed security personnel to protect assets?

A: It would be hard to demand an absolute ban, since companies have to protect their employees. But they must also accept their responsibility for the behaviour of any armed security personnel, and must not use providers directly or indirectly involved in a conflict.

Name: Stein Tønneson
Nationality: Norwegian
Occupation: Director, International Peace Research Institute of Oslo (Prio)



Q: What demands would you make of a company such as Statoil when it operates in areas of conflict.

A: The company must not participate in an armed conflict, either directly or indirectly. Oil companies need to be particularly careful, since taxes on their operations could be vital to the economy of a regime. If the armed conflict revolves around control of the oil resources utilised by a company, it should normally pull out.

A company must show concern at all breaches of human rights. It must not get involved in any such breaches, but work actively to curb them. Staying in close touch with governments, research institutes and human rights organisations which have an overview of conditions is important. Ignorance is no excuse.

Human rights

Statoil is committed to observing and promoting fundamental standards for human rights. The potential impact of our operations and projects on human rights is assessed when this is relevant. That principle is embedded in our governing documents, including *We in Statoil* (see page 13) and our corporate security policy, which specifies guidelines for the use of security personnel in Statoil.

Human rights: assessing impact, security and indigenous rights

Three main challenges face us in our work on human rights, and we believe that these are common to the business community in general.

First, as mentioned above, assessing how our operations affect the human rights position at a macro level in countries and local communities is difficult. We can evaluate impacts on individuals directly affected by our business activities. Together with relevant stakeholders and peer companies, we will strive to develop methods which improve our understanding of and support for human rights.

Second, the use of private or public security forces poses a challenge to many international companies – including Statoil. It is vital that a company refuses to be party to the illegitimate use of force in its international operations.

Third, we will be increasingly involved in areas where our operations require contact with indigenous peoples and their rights. We have gained some experience in this field – through our Snøhvit project, for instance (see the Snøhvit case on page 30). Our impact assessments and stakeholder dialogue for that development included the Sami minority in northern Norway. Relations with indigenous peoples are also important in other parts of our international business. We will accordingly develop guidelines in 2003 on how to deal more systematically with issues relating to the rights of indigenous peoples affected by our operations.

Performance

We were formally accepted in January 2003 as a participant in the Voluntary Principles on Security and Human Rights. These serve as a guide to companies in maintaining the safety and security of their operations within a framework which ensures respect for human rights and fundamental freedoms. They also engage multiple stakeholders in regular dialogue on security and human rights.

As a participant in the Voluntary Principles, we have committed ourselves to promoting them in our operations. They are also reflected in our governing documents. When our policy on security resource governance was updated in 2002, we specifically ensured that this document accorded with the Voluntary Principles.

We prefer not to engage armed security personnel. However, armed personnel are a necessity at some locations owing to the nature of local threats. Any action taken on behalf of Statoil for security reasons must be based on non-violent and peaceful methods. Force may only be used when no other option is available, and in accordance with the requirements of our security governance policy. Currently, we only have armed security personnel at a few of our service stations in Russia and at our Lagos office in Nigeria. Our security resource governance policy also

Human rights

specifies the minimum training requirements for security personnel, which includes refresher training once a year.

Statoil decided in early 2002 to support projects in Nigeria run by three human rights organisations: provide legal assistance to people complaining of human rights abuses, divert troubled youth from a potential criminal career and train Sharia judges in the specifics of the universal declaration of human rights. These projects were identified with the assistance of Amnesty International Norway and the Norwegian embassy in Nigeria.

Read the universal declaration of human rights on the United Nations web site.

 www.un.org/overview

Social investment and human rights in Venezuela

Statoil Venezuela has been sponsoring a human rights project since 1999 which aims to train Venezuelan judges in human rights. A joint effort between the UN Development Programme, Amnesty International, Venezuela's central Escuela Judicial and ourselves, this scheme provides an interesting example of cooperation between an international organisation, an NGO, a government authority and a business corporation. It has allowed us to participate actively in a development programme which contributes at a local, regional and national level. The ultimate aim of the training is to help enhance awareness and professionalism in the judicial system, and to create a force against human rights abuses. The project is now in its third phase.

A first stage was successfully implemented in 1999, when 25 judges from the whole country were trained in human rights issues. These were intended to serve as instructors for training a further group of judges from the various Venezuelan states. The second phase of the project took place in 2002 in the petroleum states of Anzoategui and Zulia, where our Sincor and LL652 projects are located. In February 2003, we signed an agreement for the first part of phase three, which covers the training of all Venezuelan judges in human rights.

One aim is for the project to be incorporated in the Escuela Judicial as part of the induction programme for all new judges entering the Venezuelan judicial system.



In cooperation with Amnesty International Norway, an in-house human rights awareness and training programme was developed in 2002. This aims to train personnel in and raise their awareness of the challenges which will be met as we increasingly establish operations in countries with weak human rights records.

The interactive training programme has been introduced as a part of the training package within our IT step 2 home PC programme. It focuses on the human rights challenges facing businesses by presenting facts, scenarios and examples. The programme has been made generally available to all employees on our intranet, and we will post it to our web site at www.statoil.com during 2003. We will also seek to make it a mandatory component of our in-house management training.

Produced initially in Norwegian, the programme will shortly be made available in English. To ensure the completion of this human rights training package in 2002, we prolonged our cooperation agreement with Amnesty International Norway by one year.

Targets

- Develop guidelines on how to deal more systematically with issues relating to the rights of indigenous peoples affected by our operations.
- Implement the human rights awareness programme as a part of the training schedule for all our managers.



Learning from NGOs

We aim to enhance the awareness of our employees about the local communities in which we operate, and make them better ambassadors for the group. With that in mind, we have extended our cooperation agreements with the Norwegian Refugee Council and the Norwegian Red Cross. Our aim is to tap into the wealth of knowledge possessed by these organisations and thereby improve our risk mitigation.

As part of this strategy, we seconded an employee to the Refugee Council in February 2003 and another to the Red Cross in March 2003 as a pilot programme. The first of these was stationed at Goma in the Democratic Republic of Congo to work on a school project aimed at internally displaced persons. The other was stationed in Jakarta, Indonesia, to provide assistance in the field to a variety of Red Cross projects. Experience gained will be evaluated as a basis for deciding whether to expand this cooperation.

Social investment

Our social investment projects relating to human rights and development have a triple purpose. First, such spending makes a direct contribution to capacity building and sustainable development in local communities. This also helps to build an enabling environment for the business community.

Second, by investing in projects directly related to social needs and human rights, we increase our understanding of the societies in which we operate and thereby improve risk management and our ability to operate under demanding circumstances. Finally, this contributes to our reputation both locally and internationally.

Performance

Based on experience gained over the past decade, we formulated a set of guidelines for social investment in 2002 to communicate more precisely the criteria on which such spending must be based. These guidelines have not been formally adopted as a group-wide policy, but provide guidance for practical implementation in the field.

According to the guidelines, all Statoil-sponsored projects must accord with UN principles for development cooperation. To be sustainable, a project must build on the community's own efforts and fit into national development plans. And we need to work through organisations with the necessary expertise and capacity in promoting human rights and development in the external arena.

Our social investment projects should seek to build local capacity in the fields of health, education, human rights and governance. A clear business case can be made for focusing on these areas. An educated and healthy population boosts economic productivity, and the rule of law and respect for human rights protect investments by ensuring stability and predictability.

We extended the cooperation agreements with the Norwegian Refugee Council and the UN High Commissioner for Refugees (UNHCR) in 2002. Our agreement with the Norwegian Red Cross was signed in 2001 for the period ending in 2003.

Targets

- Adopt the recently-developed guidelines for social investment as a group-wide policy.



Trine Lise Bjørvik is operations manager for our Statfjord C platform in the North Sea. Twenty-three per cent of our managers are women.

A vigorous company is one which constantly renews the energy of its people



Business ethics

Our workforce is our greatest asset



Statoil's oil trading activity is represented on three continents. Close cooperation and an excellent team are necessary to ensure good sales of 2.1 million barrels of crude oil per day.

Business ethics

An association with corruption, or even the perception of such a link, would pose a severe risk to our reputation and international ambitions. We regard corruption as a barrier to development, a threat to democratic values and an inhibitor of free and fair competition, and we take a strong stance against it. Our business is conducted in a manner which promotes open and competitive markets.

Through management and training, we seek to motivate our employees to embrace high ethical standards and to demonstrate a commitment through personal example. This approach reflects the Statoil way – respect for individuals and the use of participation as the active ingredient in achieving compliance.

We are an active member of the OGP's anti-corruption sub-committee and belong to Transparency International.

Challenges

In pursuing our international ambitions, we face the inevitable risk of increased exposure to unethical or corrupt practices. The toughest challenge in regions where these risks are endemic is to conduct our business in a manner consistent with our own standards. This can be difficult in circumstances where business associates with less rigorous standards are involved, for example, or where mutual understanding is lacking.

An important challenge in this respect, and a valuable step towards reducing the risk of corruption, is to develop a more professional and systematic method for applying reputational due diligence.

Finally, it should be remembered that corruption is a global challenge and that large investments make attractive targets for the unscrupulous in any country. We need a continuous focus on business ethics in all our operations – both in Norway and internationally.

Performance

We manage business ethics performance along two main axes: by prevention through awareness, training and controls, and by responding promptly to concerns through investigation and resolution.

During 2002, we experienced a number of undesirable incidents in Norway and other countries. All of these were minor, but some had the potential for serious financial and reputational implications. Whilst the number of serious incidents was low, they provide important indicators of the risks we face.

Our downstream retail operations outside Scandinavia have almost doubled in size in recent years. Incidents in this part of the business during 2002 included physical threats and extortion towards our employees by criminals, sophisticated fraud and some cases of systematic dishonest behaviour by employees.

In our international upstream operations, we work in some countries with low levels of transparency and corruption problems. These conditions pose real risks. To manage these risks, our International Exploration & Production business area recently established an ethics committee to oversee all aspects of ethics training, compliance and performance within its sphere of operation.

Straight talk:

Q: What do you mean by fair play?

A: Fair play is really quite self-explanatory. It is about being fair. To me it means respecting the rules and being honest. It means respecting the other players on my team as well as our opponents.

One example could be Manchester United's final match in the Premier League this season. We had already won the premiership the weekend before, but we still put our best possible squad out there. It didn't mean anything to us, but it might have meant something for the positions of the other teams in the table.

Name: Ole Gunnar Solskjær
Nationality: Norwegian
Occupation: Soccer player, Manchester United



Our performance could determine whether or not another team qualified for an international cup. And to me, giving it our best shot is also an essential part of fair play. As a player, you have to respect all aspects of the game. This also means that you must do your best at all times.

Norwegian-born football star Ole Gunnar Solskjær has a promotional agreement with Statoil.



“In my unit we have a high level of ethical behaviour and practise good business morals”

Source: Amou

Last year’s sustainability report described our intention to establish an ethics help line in the autumn of 2002. This facility became operational on 1 November, and will be formally evaluated in mid 2003. It provides all employees with an alternative and confidential means of seeking advice on or assistance with issues of an ethical nature or, if necessary, to report concerns about unethical behaviour. (See also page 15).

We also indicated our intention to introduce a more structured, systematic approach to ethics training in the company. Whilst some progress has been made, we still have a considerable way to go before we reach this goal. Nevertheless, a total of approximately 400 employees in several countries received training in ethics and on handling dilemmas during 2002.

New initiatives during the year included working with the anti-corruption sub-committee of the OGP, where we have assumed the principal responsibility for writing an industry booklet and manual on reputational due diligence.

Recognising that conflicts of interest should be prevented before they occur, and in line with practice in many large corporations, we have produced detailed requirements on reporting outside interests and shareholdings by employees.

The case which had been opened by the European Commission against Norwegian gas sellers, including Statoil, was settled in a satisfactory manner during 2002. Under the agreement reached, we will sell additional natural gas to new European customers. This accords with our business strategy for increasing supplies to the European market, and we made no admission that competition law had been breached.

Targets

- Develop a company-wide training programme on ethics and corporate social responsibility in 2003.
- Ensure effective application of the new reporting requirements in 2003.
- Complete the OGP due diligence booklet and manual in 2003.
- Establish a group policy on reputational due diligence in 2003 to address pre-contract verification of business counterparts.

Knowledge and skills

Our ambition is to recruit, develop and retain the most skilled and dedicated workforce possible. How far we succeed in this goal will determine the success of our group.

Expertise will be developed through challenging assignments supported by comprehensive learning programmes. We encourage employees to deploy their expertise and skills in accordance with our business needs and their potential. We will continue to give great emphasis to attracting and recruiting the best people.

Knowledge and skills challenges

We have a growing presence in the international arena, and are being transformed from a national oil and gas company to a leading international enterprise. Half the workforce is due to be based outside Norway by 2012, reflecting a number of new international operatorships, growth in our international marketing and an expected decline in the need for NCS personnel.

Performance

Our IT step 2 training programme based on the use of home computers was launched in 2002. This is the second time we have made home PCs and other hardware available to all employees in the parent company and in several of our subsidiaries. Every participant in IT step 2 must undertake a training course on their home PC. This includes computer skills, human rights and HSE among its most important elements. We regard this as an investment in the business skills and knowledge capital of our workforce.

A new top management training programme was launched in 2002. Its main purpose is to develop our shared leadership principles even further.

We resolved to make a major leap forward in expertise enhancement during 2002 with the establishment of the Statoil School of Business and Technology (SBT). Through this organisation, new and existing learning activities have been integrated into a goal-directed structure. Major gains are expected from significant measures to align expertise development activities with explicit short- and long-term business needs. This will help to identify what expertise we need to retain and develop in-house and what can be acquired externally.

Business and technology students at Norwegian universities once again voted us their preferred employer in 2002. We increased our lead in this survey over other employers in Norway.

Targets for knowledge and skills:

- A new learning portal will be implemented in 2003 to improve the ability of our employees to take responsibility for their own life-long learning.
- We will use the material from the first round of assurance letters submitted during 2002 to improve our knowledge and skills in 2003.
- We will implement the new international human resources strategy in 2003 to develop our Statoil way of doing business internationally.



"All in all, how well do you enjoy your job?"

Source: Amou



"I have the opportunity to utilise my expertise and abilities in my current daily work tasks"


Source: Amou



Per Haaland is a well manager on Statoil projects in Iran, and has taken the training course developed by Amnesty Norway for our home PC programme.

Diversity

A diverse workforce is a business strength



Women are taking the lead. In 2002, 23 per cent of all Statoil's managers are women.

Diversity

Our ambition is to have a diverse workforce in terms of age, gender and ethnicity. We want our workforce to reflect the wider community, and believe that such diversity will strengthen Statoil and play a part in delivering increased value to shareholders. Everyone in Statoil will enjoy equal opportunities, regardless of age, gender or ethnic background.

A large proportion of our employees are Norwegian citizens, since by far the biggest part of our operations remains in Norway. However, we have international activities which are long established in some countries, and are expanding in a number of other nations. We expect employees outside Norway to account for about 40 per cent of the total workforce in 2008. One of our challenges is to develop talented local staff as managers.

Performance

Awareness in recruitment is one of the keys to increasing diversity, and does not conflict with our principle that the best candidate will always be offered the job. When hiring personnel for management positions, we try to have both male and female candidates represented in the final selection round. This is one of the tools for reaching our goal on equal opportunities in management without using positive discrimination.

On an overall basis, women occupied 23 per cent of our managerial posts in 2002. This means we achieved our overall 2005 goal three years ahead of time, but the target has not been reached in all our entities.

One member of the eight-member corporate executive committee is a woman and one is non-Norwegian. Women are well represented on the board, with four women directors out of nine.

Our corporate trainee programme is very popular, and we received a considerable number of applications for 24 vacancies in 2002. Two of the 24 trainees taken on were non-Norwegian. In 2003, we intend to recruit at least five of 28 trainees from outside Norway. Approximately six per cent of all new employees in the parent company in 2002 were non-Norwegian.

Currently, four per cent of all managers in Statoil ASA are non-Norwegians. Of the total workforce, 11 214 work for our Norwegian businesses, while 5 901 are employed outside Norway. The average age of our employees is 39 years.

This reporting is based on estimates and we are in the process of improving our reporting systems.

Diversity targets

Our targets in this area remain:

- Maintaining the proportion of women in managerial positions at above 20 per cent.
- Achieving 20 per cent women in managerial positions in all our entities.

Straight talk:

Q: How do you perceive Statoil as an international company?

A: I think the group is on its way to becoming international. I don't think it's there yet, but things are changing. This is a dynamic process, and developments are happening fast.

Name: Sanaz Dadfar

Nationality: Iranian

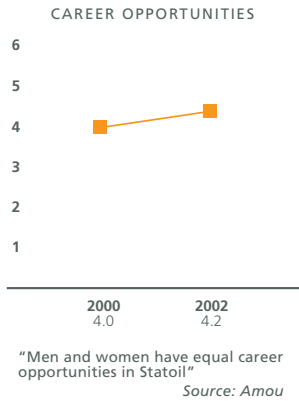
Occupation: International trainee



Q: What's it like to work for Statoil?

A: As a foreigner, it's exciting because the group presents a completely different business culture. Where I work, there's a great sense of diversity. Working for a group changing as much as Statoil, because of its internationalisation process, is very educational.

As a trainee, I've found the group big enough to provide the first-time experience I need. At the same time, it's small enough for me to learn from my colleagues.



- Increasing the proportion of local staff in managerial positions in our international operations.
- Ensuring that our workforce reflects ethnic and cultural diversity.

Female workforce in 2002

Women in the corporate workforce	31%
Women in corporate managerial positions	23%
Women in corporate managerial positions (below the age of 45)	32%
Women in corporate managerial positions (45 and above)	11%
Women among apprentices recruited to the parent company in 2002	33%

Estimates



A more inclusive workplace

The Norwegian government and unions reached agreement in 2001 on a drive for a more inclusive workplace, with the aim of reducing sickness absence, increasing participation by disabled people in the workforce and raising the real retirement age.

Even though our sickness absence is low, at 3.4 per cent in 2002, we wanted to support this initiative by concluding cooperation agreements with the work sector centres run by the national insurance service on becoming a more inclusive workplace. This participation is based on recommendations from a union/management action team.

Local care work is already well under way in many of our Norwegian entities, and we have outlined in a governing document how personnel on sick leave are to be followed up.

Our main objectives in becoming a more inclusive workplace are that:

- all our entities will pursue active local care work and follow up all personnel on sick leave
- tailored work will be offered to all our own employees who suffer a disability.
- the normal working day will be organised to ensure that as many employees as possible reach the agreed retirement age.

Labour relations

Statoil is committed to a set of core labour standards and to promoting dialogue and cooperation between employer and employees. This helps to create a stable business environment and to secure a company's licence to operate.

Policies

This set of core labour standards is embedded in our policies and based on the international standards we adhere to:

- freedom of association and collective bargaining
- freedom from forced labour
- elimination of child labour
- freedom from discrimination in employment.

These standards are defined by the International Labour Organisation (ILO) as fundamental human rights of workers. They are included in the Global Compact launched on the initiative of UN secretary-general Kofi Annan and later endorsed by Statoil.

We have established corporate standards which form the basis for developing local policies and practices at our subsidiaries in the context of local labour markets, legislation and living costs.

Challenges

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

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

Performance

We depend on an open dialogue with our employees. For this purpose, we have established works councils in our businesses and at regional levels. Established systems exist to handle any grievances an employee may wish to raise. These systems differ to some extent between countries owing to different legislation and cultures of employer-employee relations.

We also carry out an annual working environment and organisation survey (Amou) among all employees. The 2002 results show that we are considered a good company to work for. They yielded a higher score on job satisfaction and motivation as well as efficiency at work than in 2001. Fewer respondents reported an excessive workload.

The assurance letter system was fully implemented in 2002 (see page 14). It requires key managers to provide a statement of their own operations, with a focus on our commitment to human rights and core labour standards.

Straight talk:

Q: How important is sustainability to the unions?

A: It's very important. We must ensure that value creation benefits society, as required by Norwegian petroleum legislation. Our resource management must seek long-term value creation rather than a fast buck.

Q: What do you understand by the concept of sustainability?

A This means contributing to social and economic development. Respect for people and the environment is more important than profit.

Name: Lill-Heidi Bakkerud

Nationality: Norwegian

Occupation: Union representative, Statoil



Q: What are the two main issues which Statoil must tackle with regard to sustainability over the next five years?

A: Statoil must avoid promising financial results which conflict with the goal of value creation that benefits society. Creating good systems in all the areas in which it operates is also important. That means attacking corruption while developing insight and expertise.



"To my friends, I speak of Statoil as being a good company to work for"
 Source: Amou

We encourage feedback from external stakeholders on issues relating to labour relations and standards. An information-sharing agreement has accordingly been in place since 1998 with the International Federation of Chemical, Energy, Mines and General Workers Unions (ICEM), an international trade union secretariat with 20 million members in 110 countries. The agreement between ICEM and Statoil was renewed in 2001 and we intend to renew it again in 2003 for another three years. We had a number of contacts with the ICEM in 2002, mainly to discuss our work on sustainability and training for union delegates.

To ensure further streamlining of the way we operate in different countries, we outlined an international human resource strategy in 2002 and are currently in the process of implementing this new strategy in the organisation.

About 70 per cent of the employees in the Statoil ASA parent company in 2002 were registered union members.

Labour relations targets

- We will develop and implement a training programme on labour relations for new and externally recruited managers in 2003.
- We will prepare a governing document on labour relations in mergers and acquisitions in 2003, outlining our standards and procedures.

 www.ilo.org



Transfer of personnel in mergers and acquisitions

Growth and change can put great strains on organisations and their members. Mergers and acquisitions, for example, often arouse uncertainty among employees about their future job security.

Statoil took over the operatorship of several producing fields on the NCS on 1 January 2003 from Norsk Hydro. An additional 550 people became our employees from that date. The transfer of personnel and responsibilities went well.

A special task force spent a year preparing for this takeover. A plan was developed early in the process, with union involvement, to specify the principles for organising the new entities in Statoil, where operations should be located and other important issues affecting employees.


Negotiations were pursued with relevant unions about the continuity of terms and conditions, and much information was provided to prepare employees for life with a new employer. Particular attention was given to HSE issues, in order to ensure the continuity of safe production during the takeover.

Fighting HIV/Aids

We approved a policy on HIV/Aids in November 2002. In our view, such policies represent an important contribution which international business can make to society in combating the pandemic. The main principles of our policy are:

- *Encourage and promote programmes and initiatives through information, education and training on HIV/Aids prevention in the societies and communities in which we operate.*
- *Collaboration and partnership.* This is crucial for creating successful health programmes tailored to local cultures and infrastructure and to the activities of other health-care providers. We will create a health management plan for our own employees. As reflected in our general policies, we will seek to collaborate and establish partnerships with stakeholders such as community organisations, international bodies and other businesses.
- *Testing must be voluntary and confidential.* Our policy emphasises that testing cannot be a condition of recruitment and employment. Encouraging people to undergo testing is important but also a special challenge. On the one hand, employees need to know their HIV status in order to take care of themselves and protect others. On the other, living and working effectively can be a burden when somebody knows they have an incurable disease.
- *Non-discrimination and parity with other serious illnesses.* Solidarity, care and support are critical elements in every workplace when responding to HIV/Aids. Providing an adequate level of care and support, including treatment, is a challenge. We must seek best practice in the actual operating environment and apply it.
- *Medication costs will be covered for employees with HIV/Aids in countries where the state makes no provision.*

Emphasising partnership between the business community, NGOs and international institutions must play an important role in the strategy for fighting Aids. We decided in 2002 to support the Global Health Fund to combat Aids, malaria and tuberculosis and to join the Global Business Coalition on HIV/Aids headed by Richard C Holbrooke.

 www.businessfightsaids.org



Safety and health

Zero harm to people

Keeping safety close to the heart. Increasing awareness and creating positive attitudes were the main recommendations from a 2003 DuPont study on how Statoil can improve the safety of employees and contractors.

Safety and health

Our goal is zero harm to people – in other words, zero accidents and occupational illnesses. This means that we strive to be a safe place to work for our employees and contractors. We believe that a high standard and good performance on safety and health-related matters have a value in themselves and will improve efficiency and operational regularity as well as behaviour and attitudes at the individual level. This will have a positive effect on total value creation. Our principle is that HSE attitudes will be the same in all our operations.

A safe workplace

We are currently restructuring our operations on the NCS and expanding internationally. This development presents us with a twofold challenge. The first is to maintain and even improve a high safety standard when restructuring a mature business area. Second, we need to establish a high level of safety in our international operations.

Safety governance

Our governing documents are based on internationally recognised standards and codes. These have been further enhanced by adopting international conventions on technical and operational safety. In addition, we have developed a safety culture and attitudes during our 30 years of working on the NCS.

When entering new regions and countries, we will carry these attitudes and our best practices with us. We will respect national rules and regulations, and take account of the way cultural differences influence safety.

Serious incidents and accidents have the potential to cause lasting damage to our group. Suppliers and contract staff will play an increasingly important role in our operations, and will have a growing influence on our performance.

A detailed account of Statoil's safety and health performance is provided on pages 37-39 and 49-50 in our annual report for 2002.



"In my unit, the zero mindset (zero accidents, harm or losses) forms the basis for the planning and implementation of our work"

Source: Amou

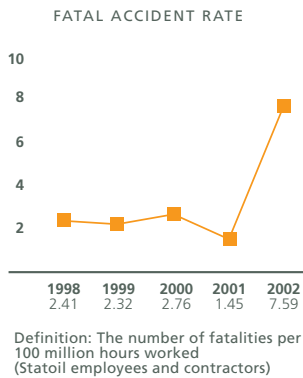
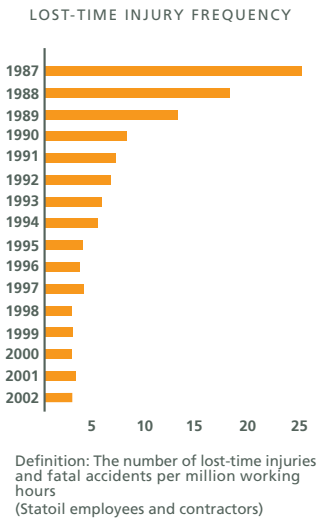
The chief executive's HSE prize

The chief executive's HSE prize has been awarded every year since 1997. It was established to encourage increased commitment in this area by recognising exceptional HSE performances. The prize can be awarded to our own employees, contractors or others doing work for us. A number of good examples of HSE practice are identified and recognised through the nomination and award process.

Chaired by chief executive Olav Fjell, the jury otherwise includes the executive vice presidents for our business areas, our senior vice president for HSE and employee representatives.

Sixty-five nominated measures from different parts of our organisation were evaluated in 2002 before the jury selected six finalists. The prize was awarded to Statoil's maritime operations sector and the associated shipping companies for improving safety on offshore service vessels. We believe that this work has helped to increase the general level of safety on the NCS, establish good attitudes and develop standards which have become industry norms.





Performance

Six people tragically lost their lives while working for Statoil during 2002. This represents an increase from previous years. Four of the fatalities involved contractor personnel and two were our own employees. This underlines the importance of working with our suppliers and contractors to ensure the safety of everyone working for us.

These fatalities have been independently investigated in order to establish their underlying causes and to recommend action which can prevent similar accidents from occurring in the future.

The decline in the total recordable injury and serious incident frequencies which was observed in 2001 continued during 2002. This is a positive development, which confirms our belief that HSE performance can be improved by diligent and systematic work. We believe new and existing initiatives we are pursuing will further strengthen this downward trend.

With the help of DuPont Safety Resources, we carried out a review of our safety culture and working practices during 2002 and 2003 in order to strengthen HSE-related work and to avoid future fatalities and accidents. This study has provided advice on ways to improve behaviour and enhance management commitment in order to make Statoil a safer work place. We believe that 90 per cent of all safety-related incidents are due to unsafe human behaviour.

We are developing and implementing a new awareness programme in our Norwegian offshore operations which aims to encourage a change of attitude and behaviour – and thereby create a safer workplace. This programme will kick off in 2003 and include both our own employees and supplier personnel.

In addition to working on safety culture, we will continue to ensure that a high technical standard and physical safety barriers are built into our plants and faci-



Communicating for safety: open safety dialogue

Our Exploration & Production Norway business area began using open safety dialogues in 2002. These aim to ensure employee participation as well as visible management involvement in creating a safer workplace.

An open safety dialogue is an informal, friendly conversation between a manager and their subordinates in the physical workplace during the performance of a specific task. The discussion focuses on personal safety for employees in the particular job, and encourages personnel to assess the risks involved and to propose preventive measures.

Two thousand of our managers have so far completed a one-day training course to prepare for using the open safety dialogue system. This safety measure is being applied throughout our operations on the NCS. The 2003 target for Exploration & Production Norway is to hold two dialogues per work year.

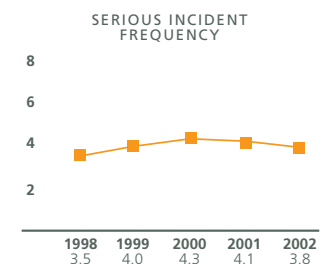
ties. Through an initial mapping process, we have checked safety barriers against defined performance standards and are closing the observed gaps during 2002-03. A new standard requires safety barrier verifications to be repeated at least once every five years.

Safety targets

- Implementing the open safety dialogue as a corporate measure during 2003.
- A new safety programme for contractors and Statoil employees will be launched for our NCS operations in 2003, with 10 000 people due to be trained over the next four years.



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



Definition: The number of incidents of a very serious nature per million working hours (Statoil employees and contractors)

An incident is an event or chain of events which has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party. Risk matrices have been established where all undesirable incidents are categorised according to the degree of seriousness, and this forms the basis for follow-up in the form of notification, investigation, reporting, analysis, experience transfer and improvement.

A healthy work force

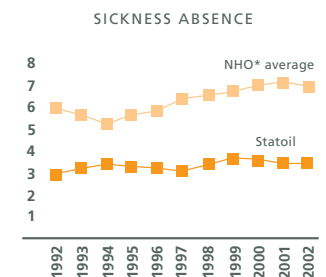
We will contribute to the transfer of experience and best practice for health and the working environment, as well as the development of good preventive programmes. A good working environment represents one of the most important contributions to value creation and efficiency, as well as preventing ill-health (see page 58 on job satisfaction). All our business areas will have preventive programmes for occupational illness in place.

In several countries, health care and safety for individual employees have to form part of the employment relationship. We offer primary health care programmes in such places, as well as an occupational health service.

International expansion will add to our working environment challenges over the next few years, and require preventive programmes and attention. Travelling to and working in foreign cultures can put people under considerable stress, and we have programmes in place to monitor personnel in vulnerable positions.

Another challenge is the increasing use of drugs, which pose safety and health risks. We have a substance abuse policy in place, which requires preventive programmes based on awareness raising, expertise enhancement and monitoring of employees at risk.

When entering a new country, we will conduct an initial health risk and impact assessment as the basis for a health management plan tailored to the challenges faced in the relevant region and business.



Definition: The total number of days of sickness absence as a percentage of possible working days (Statoil employees)

*Confederation of Norwegian Business and Industry.

“Cooperation as a way of finding solutions has become a normal approach, and it has worked! It has changed the way companies relate to social responsibility and the environment.” Gro Harlem Brundtland, page 5.

Tell us – stakeholder dialogue and cooperation

The diversity of our operations is reflected in the range of our stakeholders. They include employees, suppliers, customers, investors, government authorities, environmental and humanitarian NGOs, politicians, partners and local communities.

We firmly believe that stakeholders should have access to our top management. The chief executive has held stakeholder dialogue meetings with NGOs in London and Oslo. In addition to these sessions in his presence, we are engaged in a number of other regular stakeholder dialogues.

Input from these meetings has helped to shape the content of this report. Recurring themes in our dialogue include demands to reduce greenhouse gas emissions, expectations that we will contribute to industrial development in our host communities, and critical calls for an even more active stance on human rights. We are always willing to listen and learn from our stakeholders, although we do not always agree with them. The dialogue process provides a means of responding to their concerns by adapting our operations.

This sustainability report represents a tool for improved dialogue with our stakeholders, but will only function as such if we address the issues which concern stakeholders in an open and credible manner. Last year’s report has been the basis for consultation with stakeholders. We asked for their comments, and how they would like us to continue developing our sustainability reporting.

Our stakeholders are positive about reporting goals and performance along the triple bottom line. The strongest message from our stakeholders is that we must show them how we implement our policies and how our values are translated into business practice.

Dialogue shapes pipeline path

An umbilical pipeline which sets a world record plays a key role in our Snøhvit development in the Barents Sea. These waters are also an important source of fish. From the start, it was clear to us that the Snøhvit project and the fisheries had to coexist. We would have to tailor our technical solutions to existing activities.

At the earliest possible stage, therefore, we started discussing the 160-kilometre pipeline route with the local fishing community and the authorities. A large number of formal and informal meetings have been held, and proposals for possible routes passed back and forth. In the end, we found the route which is right for the project and does not interfere with opportunities for the fishing community.



Governing structures

Annual general meeting

The AGM is held every year before the end of June, and elects members of the corporate assembly for two-year periods of service.

Corporate assembly

The corporate assembly has eight shareholder-elected and four worker-elected members. It monitors the board's work, approves the group accounts and deals with issues of major significance. In addition, the assembly appoints two members to the election committee and elects directors to the board.

Board of directors

The board takes decisions on Statoil's plans and budgets, and handles issues of major strategic or financial significance for the business. It is responsible for the accounts and presents a proposal for the allocation of net income to the AGM. Another duty is to appoint the chief executive and establish formal powers of attorney between board and chief executive.

Social responsibility is regarded as an important strategic matter by the board, which has requested an updated briefing on how this is discharged by the group and on the social investment portfolio in challenging countries. This will be presented later in 2003.

Every quarter, the chief executive submits the accounts to the board, along with a progress report on plans and budgets. Once a year, the chief executive informs the board about internal control in the group.

The external directors are independent of and have no business relationships with Statoil. Nor is the corporate executive committee represented on the board. The corporate assembly elects seven members of the board, which in addition comprises three worker directors elected by and from the workforce.

Chief executive officer (CEO) and the corporate executive committee

The chief executive is responsible for:

- strategic direction – specifying the overall strategic direction to be taken by Statoil
- goals and follow up – setting targets for the business areas (FOs) by approving their performance contracts, profit performance and returns, including an assessment of performance at lower levels as required
- executive development – developing talented executives and approving allocation of senior executives so that optimum use is made of their expertise within the group
- risk exposure – Statoil's total exposure to financial and commercial risks, as well as risks relating to reputation, HSE and security.

The corporate executive committee comprises the chief executive and seven executive vice presidents, each with responsibility for a business area or corporate staff function.

Corporate risk committee

The group has established a corporate risk committee with responsibility for managing corporate risk, including both strategic market risks and the most important operational risks. This committee is chaired by the chief financial officer.

Internal audit

The internal audit function is the group's independent controlling body, which monitors the business to ensure that it is subject to adequate management and control. This function reports directly to the chief executive or, when appropriate, to the board. In 2002, a total of 52 audits were carried out within the areas of governance and control, HSE, ethics and human rights.

External audit

Statoil's external auditor is appointed by the AGM, and does no other work for the group in order to avoid conflicts of interest.

GRI index	Page	Global reporting initiative	Reporting elements
Vision and strategy			
1.1	3	Statement of Statoil's sustainability vision and strategy	
1.2	3, 5-9	Statement from the CEO	
Organisation profile			
2.1	Cover	Name of reporting organisation	
2.2	Cover	Major products and/or services, including brands if appropriate	
2.3	12-15, 65	Operational structure of the organisation	
2.4	N/A	Description of major divisions and operating companies	
2.5	Cover	Countries in which the organisation's operations are located	
2.6	N/A	Nature of ownership; legal form	
2.7	Cover	Nature of markets served	
2.8	Cover	Scale of the reporting organisation	
2.9	N/A	List of stakeholders and key attributes of each, including size	
Reporting scope			
2.10	3	Contact persons for the report	
2.11	3	Reporting period	
2.12	N/A	Date of most recent previous report	
2.13	N/A	Boundaries of report	
2.14	N/A	Significant changes in size, structure and limitation of scope	
2.15	N/A	Basis for reporting	
2.16	N/A	Restatements and reasons for restatements	
Report profile			
2.17	66-67	Position on applying GRI principles	
2.18	N/A	Accounting criteria/definitions used	
2.19	N/A	Changes from previous years in the measurement methods	
2.20	N/A	Internal practices to provide assurance about the report	
2.21	68	Current practice to provide independent assurance about the report	
2.22	3	Means by which report users can obtain additional information	
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3.2	65	Independence of non-executive board members	
3.3	N/A	Process for determining the expertise of board members	
3.4	65	Board-level process for managing sustainability risks and opportunities	
3.5	N/A	Executive compensation for achievement of non-financial goals	
3.6	65	Organisational structure for audit of non-financial policies	
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Common reporting standards

The global reporting initiative (GRI) seeks to establish a common standard for sustainability reporting. This index is a guide to finding the GRI elements in our report.

We support the development of common standards, which make benchmarking possible and increase transparency. We have accordingly applied the GRI standard as a guideline in producing this report.

However, we have not reported in accordance with all GRI elements. This is partly because we do not have the reporting systems in place, particularly for our social and economic impact. We are striving to improve our reporting in this area. Other GRI reporting elements are not relevant for describing the impact of our business, and some are already covered in our annual report.

For more information on the GRI, go to

 www.globalreporting.org

Ernst & Young's report

To the management of Statoil ASA

We have been asked to review Statoil's Sustainability Report 2002 (the Report) in order to substantiate its contents. Statoil's management, who are responsible for selecting the information and collecting the data for presentation therein, has prepared the Report.

Ernst & Young is the external auditor for Statoil ASA, and as such is obliged to comply with independence requirements in accordance with auditing standards generally accepted in Norway and the United States. Ernst & Young has reviewed Statoil's annual Health, Safety, Environmental (HSE) data since 1995.

Approach

There are currently no statutory requirements relating to the preparation, publication or independent review of corporate sustainability reports. We have therefore used a customised review process, which fits the scope of work outlined by Statoil management. As a consequence, our review is limited to the aspects stated below:

Basis of our review

Our review involved the following activities:

- Interviews with a selection of Statoil's senior managers and personnel, to gain an understanding of their approach to managing social, ethical and HSE issues and their objectives and priorities.
- Obtain and consider evidence to support the assertions and claims made in the Report.
- Review of HSE data as stated in our HSE verification report for 2002:
 - Site visits at 10 reporting entities to understand the local management of HSE and how HSE data are collected.
 - Random checks to verify that figures from the various reporting entities have been correctly incorporated in the HSE accounts and overall analyses of the figures compared with earlier reporting periods.
 - Random checks to verify that the HSE figures presented are based on consistent and recognised methods for measuring, analysing and quantifying data.
- Assessment, based on issues raised in stakeholder meetings, of whether the overall information is presented in an appropriate manner.

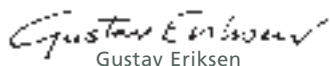
Our review has not included assessing the implementation of policies other than the HSE policies. The verification of the interviews included within the Report has not been part of our review. We have, however, checked that the interviewees have given their approval to the text.

Conclusions

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

- Assertions and claims made in the Report are supported by evidence obtained during our review
- The HSE data included in the Report deals with matters, which are important from a Statoil perspective. The reviewed HSE data is based on consistent and recognised methods for measuring, analysing and quantifying data.
- The Report covers a selection of key stakeholder issues during the reporting period. Decisions regarding the inclusion of such material and the degree to which the Report contents address key stakeholder concerns, are based on Statoil's judgement.
- Most of the targets mentioned in Statoil's previous Corporate Responsibility Report have been progressed. However, targets related to life cycle analyses (LCAs) and ethics training have not been accomplished as planned.

Stavanger, June 10th 2003
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Design:

Melvær&Lien Idé-entreprenør and Statoil

Layout and graphs:

Statoil

Printed:

Bryne Offset

Photos:

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Keystone/Scanpix	pages 4, 5, 6,7
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