ANNUAL REPORT /2012

Sustainability Report

Statoil

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This publication is our Sustainability Report, part of our annual reporting for 2012.

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Sustainability

1 Sustainability

Sustainability performance for Statoil means helping to meet the world's growing energy needs in economically, environmentally and socially responsible ways.

1.1 Our approach

Sustainability is no longer just about doing business responsibly - it is also about seeing social and sustainability challenges as opportunities for innovation and business development.

1.1.1 Meeting the challenges

Global prosperity depends on efficient, reliable and affordable energy. Meeting growing energy needs and creating value for the societies in which we operate - while reducing emissions and environmental impact - is one of the world's greatest challenges.

The energy realities dilemma is a key concern to our stakeholders as well as to Statoil. As an international energy company, Statoil can contribute to finding solutions to this dilemma. We believe we have the technology, experience and capital required to develop some of the future solutions.

The changing external context
Statoil's ambition is to double its production internationally from the year 2010 to 2020. The journey to becoming a global operator exposes us to new responsibilities, potential liabilities and stakeholder interfaces.

Our ability to mitigate non-technical risks[1] while enabling business performance will be of growing importance to address a range of business challenges. These challenges include entry into new and frontier regions, with potentially complex and sensitive political, social and/or environmental contexts, the pursuit of unconventional resources and the need for deploying new technologies with increased onshore exposure, bringing our operations closer to people and their livelihoods.

We see that external expectations towards companies, not least in the extractive sector, are increasing. Stakeholders expect to see the proof of what corporations do, and participate in decisions that affect them.

Beyond tax contributions, oil and gas companies face demands to increase local value creation. These demands are increasingly translated into local content requirements at national levels or social investment requirements in license round bid packages. The industry is expected to create local jobs, contribute to supplier development, enhance energy access and infrastructure, and meet other social needs.

Licence to operate
The changing external context creates new challenges and opportunities for Statoil. Our license to operate is built on trust with our stakeholders. At a time when available resources are becoming increasingly difficult to develop, we fully recognise that accessing new energy resources depends on our capacity to explore and develop reserves, without adversely affecting people and the environment.

Successful business development, execution and operation going forward is expected to be linked to our ability to identify and manage the environmental, social and other non-technical risks necessary to gain and maintain a license to operate internationally and in Norway, as well as to create local value for a diverse range of stakeholders, in a transparent and inclusive manner.

HSE and carbon efficiency industry leader: a competitive advantage
Sustainability is not only about doing business responsibly - it is also about seeing social and environmental challenges as opportunities for innovation and business development. There are clear links between Statoil's corporate strategy and sustainability approach, through the focus on resource efficiency, gradual growth within renewable energy and low-carbon technologies. One of our strategic beliefs is that being an industry leader in HSE and carbon efficiency not only constitutes part of our license to operate, but gives us a competitive edge in a resources-constrained world.

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As indicated by the International Energy Agency's World Energy Outlook 2012, despite rapid growth in renewable energy sources, meeting the world's growing need for energy will require all sources of energy - including hydrocarbons. In that context, Statoil's greatest contribution will be to continue reducing the environmental footprint of our oil and gas production and developing low-carbon and renewable technologies where we can utilise our core capabilities.

The role of natural gas
Today, we are convinced that delivering a reliable supply of natural gas is our greatest contribution to solving the energy and climate dilemma. Statoil is the second-largest supplier of natural gas to the European market and we believe gas is an attractive energy carrier and a fuel for the future - abundant, price competitive, and the cleanest, fossil-based energy source. Natural gas offers the following advantages:

- It emits about 50% less carbon dioxide than coal and can effect significant, immediate reductions in emissions when it replaces coal
- It is flexible and can be used as back-up energy for enabling intermittent energy carriers such as wind and solar power
- It has the potential to be combined with carbon capture and storage (CCS) when this technology is matured
- It is an abundant resource, which is also illustrated by the potential of shale gas

Statoil also believes that unconventional resources will be needed to meet the world's future energy needs. The challenges are to make production sustainable and cost effective. Statoil is now investing in developing and implementing the most environmentally advanced technology currently known to recover oil from oil sands.

[1] Non-technical risks are defined as risks to our license to operate that arise from the political, regulatory, social and environmental context where our business operates, and the potential impacts from the business on this context. More broadly such risks may include environmental, social, political/regulatory, legal and compliance-related risks etc.

1.1.2 Policy and principles

In this section, you will get an overview of Statoil's policy and principles regarding society, ethics and transparency, human rights and labour standards, people, and HSE and climate.

1.1.2.1 Society

We aim to make investments that create and maximise shared value for the benefit of both our shareholders and the countries and communities in which we operate.

Economic impact
Our operations have a substantial economic impact on the communities in which we operate. We contribute locally through the taxes and contributions that we make to governments, the staff that we hire and develop, the services and goods that we buy from local firms, and the social investments made directly in our host societies and communities. However, energy-rich countries increasingly expect opportunities for their local industry and labour to participate in oil and gas-related activities.

Our commitment
We recognise that in most countries where we have business activities, our projects are often long term. Through our core business activities and the resulting benefits, we aim to benefit our host communities and build trust and good relationships.

This is reflected in our corporate social responsibility policy. We strive to create shared value by making decisions based on how they impact our interests and the interests of the societies around us. We strive to ensure transparency, promote anti-corruption, respect human rights and labour standards and to contribute to local content in our operations.

Building local content
Hiring and buying goods and services locally is an effective way of generating local content and contributing to local development. It has a direct impact on the local economy, creates jobs, and builds and enhances local capacity and capabilities.

We aim to recruit locally, offer a safe working environment to all our employees and provide attractive training opportunities that build local capacity and skills. In non-OECD countries in particular, we are working to achieve a higher proportion of national staff, including at management level. Throughout Statoil, our ambition is to increase the proportion of non-Norwegians.

We promote local sourcing and work with others to help to establish sustainable local enterprises. However, we recognise that in many of the countries where we work, local suppliers may not currently meet our requirements. We support training and skills development in local communities and among our suppliers in order to build lasting capacity and to help them to develop the skills, standards and certifications required to work in the oil and gas industry.

Social investments
Social investments are the voluntary contributions we make to strengthen local capacities, address social risks, and promote transparency and respect for human rights, so that affected communities can benefit from our operations. Our social investment projects largely focus on education and competence development in the local communities. This includes collaborating with higher education and vocational training centres, as well as technical institutions related to the oil industry. Our goal is to support initiatives that help to build self-sustaining activities in host communities.

Social investment projects need to be selected based on a comprehensive process that reflects business objectives, stakeholder context and local needs. Project proposals should be developed based on environmental and social impact assessments and other relevant analysis. The aim is to meet community needs, align with Statoil's requirements and focus areas, design appropriate projects and ensure a sustainable outcome.

Social investment projects are often implemented in partnerships with international or local agencies, such as NGOs, experts or specialists. These partners are selected in accordance with our procurement process and other relevant internal requirements. Social investment projects are followed up and monitored throughout their implementation, and efforts are made to evaluate their outcomes. We endeavour to manage our social investment projects with the same care and professionalism as any other business activity, and we include additional measures to reduce corruption risks.

CSR plans
CSR plans are required for all projects and operations, on a risk-based approach. These plans reflect the operating principles and requirements set out in our CSR policy and the pertaining social risks, impacts and social investments. Follow-up of CSR actions defined in the CSR plan is done through our internal monitoring process.

1.1.2.2 Ethics and transparency

We are determined to be known for our high ethical standards and our commitment to transparency and openness. We have zero tolerance for corruption in our operations.

At Statoil, how we deliver is as important as what we deliver. Our commitment to ethics and transparency is integral to how we conduct our business and vital to ensuring that the wealth derived from the energy we produce is put to effective and equitable use. Our value statement, together with the Ethics Code of Conduct, constitutes the basis and framework for our performance culture.

Ethics Code of Conduct
The Ethics Code of Conduct describes our commitment and requirements connected to ethical issues related to business practice and personal conduct. Our Ethics Code of Conduct requires us to comply with all applicable laws and regulations and to act in an ethical, sustainable and socially responsible manner. Respect for human rights is an integral part of Statoil's value base. The Ethics Code of Conduct applies to the whole organisation and its employees, including the chief executive officer, board members, hired personnel, consultants, intermediaries, lobbyists and others who act on Statoil's behalf. The Ethics Code of Conduct is available in all local languages in countries where Statoil has operations. The Ethics Code of Conduct is available at Statoil.com.

Anti-corruption compliance programme
Statoil is against all forms of corruption, including facilitation payments. We have implemented a company-wide anti-corruption compliance programme to prevent corruption in our activities. The anti-corruption compliance programme manual is available at Statoil.com. An important part of the programme is the compliance network consisting of dedicated compliance officers in the business and staff units. The compliance officers have a special responsibility to ensure that ethics and anti-corruption considerations are integrated into the business activities and decisions. The compliance network is organised and supervised by the chief compliance officer.

Integrity due diligence
We practice strict requirements for integrity due diligence (IDD) and screen new investments, partners, suppliers and contractors for risks related to integrity violations and human rights violation. For more information about IDD, see the article *Partners and suppliers*.

Whistle-blowing: the ethics helpline
Statoil has a dedicated ethics helpline that can be used by employees to express legal and ethical concerns related to Statoil's business and activities. The helpline is available 24/7 and calls may be made anonymously. The helpline is available in all local languages of countries where Statoil has operations.

Organisation and governance
The ethics and anti-corruption compliance function in Statoil is organised within the legal department and is headed by the chief compliance officer. The chief compliance officer is responsible for governing documents related to ethics and anti-corruption and to ensure that ethics and anti-corruption are well organised and integrated into Statoil's activities.

The chief compliance officer reports annually to the board of directors on the implementation and effectiveness of the ethics and anti-corruption compliance programme. In addition, the chief compliance officer reports quarterly to the board of directors' HSE committee and audit committee and to the corporate executive committee on ethics and anti-corruption activities and incidents. The chief compliance officer also monitors and oversees the annual integrity risk assessment for Statoil and related mitigation actions and is responsible for relevant training and capacity building (described in the *Training and capacity building* article).

The board of directors, the corporate executive committee and the management teams in each business areas and corporate staff units have established ethics committees that have regular meetings dedicated to ethics and anti-corruption issues. The chief compliance officer prepares the agenda and participates in such meetings.

Revenue transparency: publish what you pay
We believe that transparency is a cornerstone of good governance. Transparency allows businesses to prosper in a predictable environment and enables citizens to hold governments accountable.

"Open" is one of Statoil's four company values. We were one of the first major oil and gas companies to start disclosing all revenues and payments in the countries in which we operate. It is a practice we intend to continue. Our aim is to work with industry, governments and civil society to operationalise our commitments in the countries in which we operate.

A full overview of relevant payments to governments, country-by-country, is available in the article *Economic performance*.

The Extractive Industries Transparency Initiative (EITI)
Statoil has supported the Extractive Industries Transparency Initiative (EITI) since its inception, and we respect and promote the EITI principles throughout our operations. Statoil became a board member of the EITI in 2009, representing the national oil company (NOC) constituency together with Pemex of Mexico. Through the EITI, we work to promote principles of revenue transparency in the countries in which we operate.

The EITI is a coalition of governments, companies, civil society groups, investors and international organisations working together to promote globally developed standards for revenue transparency at the local level. The EITI standard implies that companies report what they pay to governments, and governments disclose receipts of payments. Tax, royalty payments and other relevant payments are reconciled in an EITI country report by an independent third party.

Other endorsements
Statoil is actively engaged in anti-corruption and transparency issues on a local and global basis by membership and participation in various business networks and non-governmental organisations. We support the World Economic Forum's Partnering Against Corruption Initiative (PACI), the UN Global Compact (including the 10th principle on anti-corruption), the Business Principles for Countering Bribery (BPCP), and the OECD Guidelines for Multinational Enterprises. Statoil also has a collaboration agreement with Transparency International Norway.

1.1.2.3 Human rights and labour standards

We actively endeavour to respect human rights and labour rights in all of our operations.

Our commitment
We are present in parts of the world where human rights and decent working conditions may be at risk, whether directly through our own operations, indirectly through the supply chain, or due to other contextual factors.

Our commitment to respect human rights and labour standards is based on the International Bill of Human Rights, including the Universal Declaration of Human Rights and the International Labour Organization's (ILO) 1998 Declaration on Fundamental Rights and Principles at Work. We follow the UN Guiding Principles on Business and Human Rights, and endorse the United Nations Global Compact Principles and the Voluntary Principles on Security and Human Rights (VPSHR).

We expect our suppliers and partners to share our CSR standards and ethical values in our joint operations. We may include specific references to human rights principles in contracts with business partners.

We conduct human rights due diligence reviews of our ongoing activities and new business opportunities in order to avoid adverse impacts on our workforce and the communities in which we operate. This is described in the article *Risk management*.

Labour standards
In our operations and in the supply chain, we respect fundamental labour rights and ILO's core labour standards, such as the prohibition on child or forced labour, non-discrimination, freedom of association and collective bargaining, decent wages and regulated working hours. Where local laws set a lower standard than international standards, we make our best efforts to meet international standards.

While employee association practices may vary in different countries in accordance with local standards, we endeavour to involve our employees and their appropriate representatives in the development of the company.

The normal minimum age for admission to employment or work is 15 years and the minimum age for hazardous work is 18 years. According to our policies, Statoil and its suppliers shall not have any involvement in human trafficking.

Diversity and equal opportunity
Statoil will show respect for all individuals and make active efforts to ensure a good working environment characterised by equality and diversity. We do not accept any form of discrimination of our own employees or others involved in our activities. Discrimination includes all unequal treatment, exclusion or preference on the basis of race, gender, age, disability, sexual orientation, religion, political views, national or ethnic origin, or other similar circumstances that result in the setting aside or compromising of the principle of equality.

Weak governance zones
Statoil supports the OECD Guidelines for Multinational Enterprises. When operating in zones of conflict or weak governance, we endeavour to exercise particular caution, as advised in the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones.

Indigenous peoples
In all of our activities, we recognise and endeavour to respect the special importance of the social, cultural, religious and spiritual values and practices of the indigenous and tribal peoples, and their relationship with the land or territories that they occupy or otherwise use.

Involuntary resettlement
Project development that involves involuntary resettlement entails particular social and human rights risks, including physical or economic displacement[1]. Efforts are made to avoid involuntary resettlement, or to minimise the impact if resettlement is unavoidable. In such cases, Statoil will follow the guidelines provided in the International Finance Corporation Performance Standard 5 on "Land Acquisition and Involuntary Resettlement".

Security and human rights
The deployment of security resources may represent a particular human rights risk in situations where security services are not properly regulated. Statoil conducts all safety and security activities in accordance with applicable laws and internationally recognised human rights principles.

To strengthen our commitment, we have been a supporting member of the Voluntary Principles on Security and Human Rights (VPSHR) since 2002. We endorse the VPSHR and the underlying policies on which they are based, the "UN Principles on the Use of Force and Firearms by Law Enforcement Officials" and the "UN Code of conduct for Law Enforcement Officials".

We strive to comply with the following principles:
· Statoil will observe strict requirements for the selection of security contractors.
· Statoil will implement VPSHR in projects and operations, where relevant risks are identified.
· Statoil will submit annual reports to the VPSHR secretariat on progress in implementing its principles.

These principles are integrated in our security procedures and management system. They emphasise how important it is that all security personnel working on Statoil's behalf display respect for universal human rights, act within the law and comply with the applicable rules on the use of force and firearms.

In all contracts with private security personnel, we include human rights criteria as part of pre-qualification screening, integrity due diligence and contractual provisions and clauses.

All Statoil security providers are given initial training that is commensurate with their duties. As a minimum, the training includes human rights training as well as training in the rules of necessity and proportionality in relation to the use of force. Security providers undergo refresher training once a year, including updates on policy and procedures, and reminders about ethics, human rights, the use of force and first aid.

Most of our equity production outside Norway is operated by joint ventures or licences in which we are a minority partner. Statoil must however, irrespectively of organisation, assess and take responsibility for our peoples security wherever the company is involved. In many countries we are primarily only responsible for the security of office activities and for assurance and follow-up in partner committees. Our approach to security varies, taking into account differing risk levels in diverse locations. While circumstances in some locations require armed security to be used, our security personnel are unarmed in most locations.

Collaboration
Since 1998, we have had a collaboration agreement with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) that covers all Statoil employees in all countries in which we operate. This further affirms our support for fundamental human rights in the community and workplace.

We support the work of Amnesty International Norway through a corporate partnership agreement.

Grievance mechanisms
Concerns relating to our activities can be raised through a variety of different channels: at the operational level, the corporate level and through our ethics helpline. Employees are encouraged to raise such issues through line management, our human resources department, and/or their trade union representatives.

Mechanisms for external feedback and voicing of concerns include community consultation and dialogue, both as an ongoing process and as part of our impact assessment activities. In line with the expectations of effective access to remedies prescribed by the UN Guiding Principles on Business and Human Rights, we are in the process of further developing grievance mechanisms for local communities. For this, we are participating in a joint industry initiative at IPIECA to identify and develop suitable grievance mechanisms for oil and gas projects.

[1] Economic displacement is defined as loss of assets or access to assets that leads to a loss of income sources or means of livelihood.

1.1.2.4 People

Statoil's overall strategic objective is to build a globally competitive company, to promote a stimulating work environment guided by our values, and be an exceptional place to perform and develop.

Global people policy
Our global people policy, which is available in The Statoil Book, aims to ensure consistent and common standards and practices across the organisation. Together with our values and Ethics Code of Conduct, our people policy is the most important guideline for our people processes.

We are committed to attracting and selecting the right people and providing opportunities for people to grow. We endeavour to ensure a good match between employees' professional interests and goals and the needs of the business. Through our global development and deployment process we seek to offer challenging and meaningful job opportunities.

We remain committed to providing financial and non-financial rewards that attract and motivate the right people. We continue to focus on creating a caring and inspiring working environment, enabled by our open door policy, which promotes diversity and equal opportunities for all employees.

Attraction and development
In every country in which we operate, the sustainable growth of our business depends on our ability to recruit and retain talent. We are committed to building a stronger position in defined talent markets and ensuring diversity, quality, efficiency and security in recruitment.

Learning and development
At Statoil we encourage our employees to take responsibility for their own learning and development and continuously build new skills and share knowledge. We develop and deploy our people through the People@Statoil process, our common annual platform for measuring performance, rewards, development and deployment. The process is described in The Statoil Book. We aim to ensure a good match between our employees' professional interests and goals and challenging and meaningful job opportunities, as well as to build a high-performing environment.

For more information, see the article *Training and capability building*.

Performance and rewards
At Statoil we reward our people on the basis of their performance, giving equal emphasis to delivery and behaviour. The terms of wages may also be based on requirements in local wage agreements. Our rewards approach is adapted to local market conditions at the locations in which we operate, aligned with statutory regulations and corporate governance requirements, and aims to be competitive without being leading in a total reward context. We reward both short-term and long-term contributions and results. Our compensation system is open and non-discriminatory, thus supporting equal opportunities and providing a consistent rewards approach across all groups.

Employee and industrial relations
By employee relations, we mean all dealings with our employees, including compliance with national and international laws and Statoil's requirements. We believe in involving our people and their appropriate representatives, where applicable, in the development of our group. Through this focus, we ensure that we act as a responsible employer and endeavour to create a strong, trust-based relationship between our people, their representatives and management wherever Statoil operates.

Collaboration arenas for employees and management are established wherever possible and in accordance with local practice. Key collaboration arenas include our annual Global People Survey, in which Statoil employees evaluate matters relating to organisational performance and the internal working environment. Furthermore, as part of Statoil's global employee relations strategy, all Statoil subsidiaries are required to develop plans, systems and procedures to ensure an engaging work environment in which employees can thrive, and where employees and management cooperate as effectively as possible.

Diversity
We are committed to building a workplace that promotes diversity and respect for the individual. Statoil does not accept any form of discrimination of its own employees or others involved in Statoil's activities.

More information about diversity and equality is available in the article *Human rights and labour standards*.

1.1.2.5 HSE and climate

Statoil is committed to integrating health, safety and environment (HSE) in the way we do business and improving HSE performance in all our activities.

Our commitment
We strive to ensure safe operations that protect people, the environment, communities and material assets, to use natural resources efficiently and to provide energy that supports sustainable development.

Our aspirations
Our ambition is to be an industry leader in health, safety and the environment and in carbon efficiency. This ambition informs the strategic direction for our work on HSE. We want to be recognised for our sound HSE performance and results and a driving force for improving HSE standards and solutions.

We are mindful of the fact that our ambition to be an industry leader in HSE and carbon efficiency requires recognition from beyond the Statoil organisation - including our contractors, clients, peers, regulators, investors and neighbours. We further recognise that the oil and gas industry is facing increased scrutiny and heightened public concern about the integrity and HSE performance of its activities. This highlights how sound HSE performance is a prerequisite for our long-term value creation.

Our strategic priorities and improvement objectives
The framework for delivery on our HSE policy commitments and aspirations is based on the following strategic HSE priorities:
- Compliance and leadership
- Improved risk management
- Harmonisation and simplification of work processes and management systems
- A stronger focus on technical barriers and integrity

HSE culture and learning
The findings of the HSE management culture, procedures and practices review undertaken in connection with the investigation and audit of an incident at our Gullfaks C facility on the Norwegian continental shelf (NCS) in 2010 led to the launch of the "HSE culture and learning" programme in 2012. Within this programme 15 action points have been identified to achieve the following four key improvement objectives:
- Make it easier to work safely by simplifying the management system
- Ensure a balance between responsibility and authority
- Develop an open learning culture in Statoil and with suppliers
- Establish the systematic monitoring of contractors

The 15 action points will be implemented throughout 2013. Many of the associated changes will require a new way of working, and the cultural development process requires a long-term perspective.

The work is led by the corporate HSE function and carried out in cooperation between Statoil corporate functions, management from Statoil's Development & Production Norway business area and Statoil employee representatives from the Norwegian trade unions SAFE, Industry Energy (IE), Tekna, NiTO and Lederne. The group will continue to meet quarterly during the remaining year of the project.

1.1.2.5.1 Safety and security

Safety and security continues to be our top priority. It is imperative that we think safety and security throughout the whole value chain, from planning to the execution of work.

Personnel safety
Everyone working for us, and in the joint ventures we operate, is required to follow our safety rules, intervene in unsafe situations, and respect our neighbours and the environment. We also actively engage with companies we contract with, as well as joint ventures we do not control, to encourage them to embed safety cultures in their workforces.

Process safety and major accident hazard management
We have developed and use tools and methods for handling and controlling process safety, including well integrity. These are used to minimise the risk of accidents and incidents with a high potential for escalating into major events.

The loss of containment of hydrocarbons is a common scenario in major accidents. The design and construction of an offshore facility and well integrity are crucial to reducing damage and injury in the event of an accident. Barrier elements are built in several stages to reduce the force of explosions. Their overall functionality, reliability and vulnerability are critical to mitigating an accident's destructive potential.

We have procedures and practices in place that require us to review, map and describe the technical condition of safety barriers and safety systems for our drilling activities and on our offshore installations and at our onshore plants, with the focus on the risk of major accidents. We are committed to continuous improvement of our system for monitoring the risk level and safety condition of the barriers. To this end we undertake technical safety condition reviews to supplement basic maintenance and testing of the barriers.

During 2012 Statoil continued its programme of major accident workshops held across the company. In December 2012 we established an internal major accident forum, with the objective to maintain sustained top management focus on major accident risks. The forum is a meeting arena for the corporate executive committee, key process owners, corporate audit, and employee representatives to openly review and discuss major accidents affecting the industry and Statoil. The forum will convene twice a year.

The *Deepwater Horizon* tragedy in 2010 reinforced the need to maintain the safety and reliability of our deepwater drilling operations worldwide. Statoil is working closely with industry peers on prevention and emergency preparedness, as described in the article *Stakeholder engagement*.

Our industry is determined to learn from incidents and accidents to prevent similar occurrences in the future. We believe that accidents can be prevented - therefore we have a strong focus on prevention. However, we recognise the risks associated with our business and are prepared to handle situations that require immediate action to save lives and protect the environment, facilities, equipment and any third parties who may be affected. As such Statoil holds regular emergency response courses and exercises.

Our efforts to tackle specific safety challenges in the far North and Arctic are described in the *Arctic exploration* case study.

Security
Statoil's business security culture takes a preventative and proactive approach to managing risk. We are committed to understanding the increasingly complex security threat picture facing our business activities, and to protecting personnel working on our behalf, assets, interests and customers from the consequences of malicious activity.

We use security risk analyses in our business processes to balance protective security with the values we want to protect, and to ensure that appropriate response mechanisms are in place to minimise the impact of any security incident. Political and social risk analyses conducted as part of the country entry process and country risk analysis are important elements of our physical security risk management process.

1.1.2.5.2 Environment and climate

As we move into new business segments, we are committed to improving the carbon intensity and managing the environmental impacts relating to our activities.

Our activities, from exploration through the construction and operation of facilities and to the end use of our products, have the potential to affect the environment. The impact may be due to emissions, discharges or resource use.

Meeting growing energy needs, while at the same time reducing carbon dioxide and methane emissions and environmental impacts, is a key challenge for our industry. External benchmarks, such as the OGP benchmark, document that Statoil is currently one of the most efficient upstream producers in the conventional oil and gas industry. This is due in part to twenty years of regulation on the Norwegian continental shelf, geological conditions in the Norwegian sector and close proximity to markets. However, as we move into heavier oils, on-shore activities and more complex projects internationally, the environmental footprint of our activities is expected to grow.

Environmental principles
We have established a set of environmental principles to minimise our footprint on the environment:

- Act in accordance with the precautionary principle
- Comply with applicable legislation and regulations
- Set specific targets and improvement measures
- Consult and cooperate with relevant stakeholders
- Make our policy available to the public
- Reduce greenhouse gas emissions

· Seek optimal utilisation of natural resources
· Contribute to protecting biodiversity
· Continuously improve energy efficiency, environmental performance and products
· Reduce fresh water use through sustainable water resource management
· Minimise waste generation

Continuous improvement
Continuous efforts are being made to reduce routine emissions to the air and discharges to the sea through research and technological improvement, effective emergency response, and risk and impact-based management. The aim is to ensure continuous improvement through the adoption of focused measures for both existing and future installations.

Environmental monitoring
The condition of the environment around our operated offshore installations is monitored through regular programmes. Offshore environmental monitoring is primarily used to assess the impact from our discharges on water quality, sensitive habitats and seabed sediments.

Regular monitoring programmes are also used to assess the impacts from our land-based activities (see the *Canadian oil sands* and *Shale gas and tight oil* case studies).

Water management
Statoil is committed to responsible water resource management. This includes reducing the use of fresh water, preserving water quality, recycling and reusing water, and preventing water pollution.

Statoil recognises specific water use challenges related to oil sands and shale gas. We have set ambitious targets aimed at reducing the water intensity of our oil sands operations and we are seeking ways to limit the use of fresh water in our shale gas operations through measures such as water recycling (see the *Canadian oil sands* and *Shale gas and tight oil* case studies).

To facilitate the group-wide implementation of sustainable water management, we have participated in two joint industry projects led by IPIECA and the Global Environmental Management Initiative (GEMI), respectively. The projects have led to the development of the Global Water Tool and the Local Water Tool. Both tools support the identification of water-related risks and measures to avoid or mitigate these risks for the oil and gas sector.

Statoil continues to be an active member of the IPIECA Water Working Group. This participation provides a useful forum for further development of best practice in water management.

We continue to update and further develop the environmental impact factor (EIF) tools for specific areas: discharges to the marine environment, produced water, drilling discharges, and coastal discharges (in line with changes in EU regulation and new knowledge). The EIF tool for onshore discharges is used to carry out environmental risk assessments in connection with onshore activities. The tool provides an indication of the volumes of soil, surface water and groundwater that are potentially at risk of contamination, either from spills or from intentional activity at a site. It can be used to assess the potential risk from activities at a site and can help to prioritise environmental management actions.

Biodiversity and ecosystem services
Through mapping environmental baselines, planning activities and monitoring during and after our activities, we seek to minimise impacts and conserve biodiversity and important ecosystem functions.

Statoil continues to be an active participant in a joint Biodiversity Working Group of the International Petroleum Industry Environmental Conservation Association (IPIECA) and the Oil and Gas Producers Association (OGP). This cooperation, which started in 2002, has resulted in the development of concrete tools and recommendations that can help the industry work towards better biodiversity protection and ecosystem services management.

We support the maintenance and development of the World Database on Protected Areas and other GIS-based databases containing information on high-value biodiversity areas. This work is done through the Proteus programme, which is run by the United Nations Environment Programme (UNEP) World Conservation Centre. We use these databases actively in environmental risk and impact evaluations.

Driving technology development
We have a strong commitment to environmental and climate research and to staying at the forefront of developing environmental management solutions and tools. Driving technological innovation also means working with our suppliers and the different sectors involved in the oil and gas value chain to find solutions that can reduce our environmental footprint.

Over the past 10 years, we have qualified and implemented new technology to improve the cleaning of produced water from Norway's offshore sector. Our research and development portfolio includes activities to further improve expertise and transfer this to the operational units in order to improve the performance of the cleaning technologies.

Subsea installations that produce oil and gas from facilities installed on the seabed rather than on conventional platforms are examples of technological innovation that offer safety advantages in harsh environments, such as the icy waters in the Arctic or in areas subject to sub-tropical storms. In addition, subsea separation of produced water from the well stream and the injection of water into geological formations beneath the seabed offer environmental

advantages through associated reductions in discharges of potentially harmful waste products. Statoil has substantial experience in this area, and is planning to strengthen its position even further in the coming years.

We also use our core competences and capabilities to drive technology developments in low-carbon technologies. We are using our offshore expertise in marine operations and offshore maintenance to sharpen our competitive edge in offshore wind projects (see the *Offshore wind* case study). We also believe that in a carbon-constrained world, technologies such as carbon capture and storage (CCS) will be key to ensuring that increasing energy demand is met while reducing climate emissions. Statoil has been involved in CCS technology development at the Sleipner project since 1996.

In May 2012 the Technology Centre Mongstad (TCM) was opened. This is the world's largest facility for testing and improving CO2 capture technologies. The centre comprises two CO2 capture plants, each with a capacity to capture approximately 80,000 tonnes of CO2 from the nearby refinery and 20,000 tonnes from a gas-fired power plant. In addition the centre has available space and infrastructure to sustain more technologies to be tested in the future. The TCM is a joint venture between the Norwegian state, Statoil, Shell and Sasol.

Sustainable shipping strategy
In 2011, we launched a sustainable shipping strategy focusing on the minimisation of invasive aquatic species, the reduction of exhaust gas emissions - including carbon dioxide, nitrogen oxides and sulphur oxides - and risks pertaining to accidental spills.

In 2012, Statoil Shipping entered into a three-year carbon pact. The pact's focus is on reducing the carbon footprint. Our partner Maersk will monitor and evaluate energy efficiency and CO2 reduction developments in every single voyage performed for Statoil, providing a customer scorecard every six months.

Climate strategy and targets
Statoil's ambition is to be an industry leader in the carbon-efficient production of oil and gas. We believe that this will give us a competitive advantage, as we expect higher CO2 prices and stricter climate regulations. Our business plans forecast that carbon emission intensities will increase towards 2020, driven by growth in the international portfolio and maturing assets on the Norwegian Continental Shelf (NCS).

We have set targets for carbon performance in 2020, based on the different segments we operate in. A segment-based approach was chosen in order to make industry comparisons and because there are signficiant differences between the segments relating to carbon intensities.

Statoil's ambition for conventional oil and gas production in 2020 is to keep CO2 intensity on today's level for the company, even though we double our international production in the same period.

Statoil's 2020 carbon intensity targets per business segment were communicated externally in 2011. These are:
- Conventional oil and gas: 11 kg CO2/boe
- Heavy oil: 17 kg CO2/boe
- Extra-heavy oil - including oil sands: 50 kg CO2/boe
- LNG: 24 kg CO2/boe
- Shale gas: 6 kg CO2/boe
- Refining and processing: 1st quartile in Solomon/ETS index

For more information about our climate targets and performance, see the *Climate pages* at Statoil.com (LINK).

Beyond our operatoins, we work with governments, businesses, peers and civil society stakeholders to facilitate the development of viable global policies and regulatory frameworks. At the end of 2012, we endorsed key advocacy positions on climate change that will inform our advocacy efforts going forward:

· Statoil acknowledges the scientific consensus on human-induced climate change, and supports the efforts of the UN and its member states to agree on and implement necessary climate measures to reach the required global ambition level to prevent dangerous anthropogenic interference with the climate system.
· Climate policy measures should be predictable, transparent and internationally applied in order to avoid carbon leakage, ensure cost effectiveness and create a level playing field in global markets.
· A price on greenhouse gas emissions based on the "emitter pays" principle should be the preferred climate policy framework.
· Multiple regulations for each greenhouse gas emission should be avoided.
· Climate policy measures should be technology and fuel-neutral to maximise innovation through market competition.

1.1.2.5.3 Health and working environment

We are committed to ensuring a healthy working environment for our people.

Our commitment
Statoil makes systematic efforts to design and improve the working environment in order to prevent occupational accidents, work-related diseases and sickness absence. We emphasise the psychosocial aspects of the working environment and promote the good health and well-being of all of our employees. We are also concerned with the possible impact of our presence on health in the local communities in the vicinity of our activities.

We use working environment expertise in projects to secure safe and healthy working environment conditions for all who are working in or for Statoil. Our health and working environment professionals participate actively in national and international conferences and exhibitions. We believe it is important to share our experiences and knowledge with others. Statoil participates actively in the OGP/IPIECA health committee and in international occupational hygiene, occupational medicine and ergonomic networks.

Priority areas
Statoil has developed a health and working environment strategy for the period 2009-2014. It focuses on five priority areas: workload, ergonomics, noise, exposure to chemicals and healthy lifestyle.

Psychosocial working environment
We systematically manage psychosocial risk in the working environment and place special emphasis on work-related stress. A key method employed is the psychosocial risk management approach (PRIMA). Additional programmes have been developed to increase the management team's ability to handle employee workload.

Noise
Statoil's initiatives to reduce the risk of noise-induced hearing damage include ongoing projects to identify, assess and manage noise that are being carried out on Norwegian offshore installations. In addition, Statoil funds two noise research projects on hearing protection and noise exposure.

Exposure to chemicals
Managing health risks from chemical exposure is an important part of our sustainable development policy. An overview of chemicals used per site is maintained. The business areas carry out systematic occupational hygiene measurements and risk assessments of work processes and work areas where exposure to hazardous chemicals could occur.

We also endeavour to develop and introduce new technology that improves the chemical working environment and carry out several R&D projects relating to chemical health risks.

Healthy lifestyle
Our internet-based health promotion programme "Inspiration" is being used to motivate thousands of employees to participate in physical activities and provides information on nutrition, substance abuse and smoking.

1.1.3 Governance

The board of directors is the highest governing body in Statoil with responsibility for sustainability.

Board of directors' HSE and ethics committee
The board's HSE and ethics committee was established in 2010. Its role is to assist the board in matters relating to health, safety and the environment (HSE), ethics and corporate social responsibility (CSR). The committee also monitors and assesses the effectiveness, development and implementation of policies, systems and principles within the areas of HSE, ethics and CSR.

The HSE committee shall immediately receive reports about extraordinary matters relating to ethics. The committee also receives regular monitoring reports regarding ethics and transparency and HSE. The committee conducts an annual assessment of its own work and its instructions.

For a more detailed description of the objectives, duties and composition of the committee, see "Instructions for the HSE and ethics committee", which is available at Statoil.com.

Sustainability management system
Sustainability in Statoil is governed through a set of group-wide policies outlined in The Statoil Book, of which the following are particularly relevant: people; health, safety and environment; ethics; corporate social responsibility; procurement and risk management.

These policies are supported by more specific guidelines, function requirements and work requirements that apply throughout the organisation. Governing documentation is owned by process owners or corporate staff functions that are also responsible for providing guidance and monitoring activities. Implementation is a line responsibility, however, thus ensuring that principles are translated into action in the day-to-day running of the business. Monitoring is conducted to manage risk and drive performance and learning. The scope and frequency of internal monitoring depends on an assessment of risks carried out by line managers, process owners and corporate staff functions.

More information about Statoil's management system and governing documentation is available in The Statoil Book.

Sustainability-related performance and reward
Ambition to Action is our integrated performance management process, which is applied across the company. The process translates ambitions into strategic objectives, key performance indicators, actions and individual goals. Strategic objectives, KPIs and actions are set within five perspectives: people and organisation; health, safety and the environment; operations; market; and finance. Together, these perspectives address what creates and drives good performance in both the short and the long term, with the focus on all stakeholders.

All employees have behaviour goals defined by Statoil's values and leadership expectations. Delivery and behaviour are equally valued in individual performance evaluations, which form the basis for rewards. This contributes to ensuring a balanced focus on what we deliver and how we deliver.

1.1.4 Risk management

Risk management forms an integral part of our management approach. We aim to minimise harmful impacts and optimise the benefits and opportunities generated by our activities throughout their life cycle.

Statoil's general approach to risk management is described in the *Risk review* chapter in the annual report.

A multi-disciplinary approach
We take a holistic and multi-disciplinary approach to risk management, drawing on tools and expertise from our HSE, social responsibility, and ethics and anti-corruption disciplines to respond to the diverse challenges and opportunities we encounter in the course of undertaking our activities. We have a number of processes and tools in place to identify and manage HSE, social and integrity risks throughout the life cycle of our activities.

HSE in risk management
Risk management is an iterative process that informs our HSE management. As part of the decision-making process, relevant HSE risk factors are identified and assessed, and relevant measures to control risks are implemented. We apply the precautionary principle in our assessment of HSE risk and associated impacts.

Our policies and guidelines require us to identify and document HSE risks for all activities, to establish and document risk tolerance criteria at the relevant level of activity, and to assess the identified HSE risk factors against the established tolerance criteria. Necessary risk-reducing measures must be implemented in order to meet the established criteria, and further to reduce the risk of harm so that it is as low as reasonably practicable (ALARP). Identified HSE risk factors should be included in the basis for the selection and planning of supervisory activities.

Impact assessments are required for all relevant projects to assess environmental, social, human rights and health impacts, and to define measures to reduce or avoid negative impacts and enhance benefits.

We use quantitative and qualitative risk analyses actively to obtain a balanced picture of probability and consequences of incidents, to identify and assess critical HSE functions and defects, and as a basis for design and improvements.

Country risk assessment
The purpose of country risk assessments is to develop robust knowledge and an understanding of local conditions and business culture as early in the business process as possible. This enables Statoil to reduce our country risk exposure through early identification, prioritisation and management of significant risk elements that could have a negative impact on a given business opportunity. Risk assessments are carried out and updated as part of the basis for making decisions at each decision gate and during the operating and abandonment phases of projects in medium- and high-risk countries.

The evaluation of country risk is an integral part of the decision-making process. It is subject to specific requirements and active follow-up from involved management. The risk identification process makes use of country risk workshops at which a multi-disciplinary group from relevant parts of the organisation can brainstorm, filter and prioritise risk elements in relation to 13 pre-defined risk areas. Any potential reputational impacts for the company are also considered.

In addition to this qualitative analysis, projects in medium-to-high-risk countries are assessed for country risk effects on their net present value. Using a model developed using IHS Global Insight, endeavours are made to estimate which risks have the potentially largest effect on the cash flow of a project and thereby to enable management of these risks.

Early-phase risk assessment
Early identification, understanding and management of HSE, social, human rights, and integrity risks is considered essential if we are to achieve sustainable development as we diversify our portfolio and grow internationally. Statoil has implemented a web-based early-phase risk assessment (EPRA) tool for evaluating new business opportunities, to ensure that HSE, social, and human rights and integrity risks are considered at an early stage. The tool also includes a module called the Brownfield Risk Assessment Tool (BRAT) for assessing the condition of existing activities.

The EPRA process is a stepwise process that includes establishing the context, identifying sources of risks (both downside and upside) and their potential impacts, analysing and evaluating these, and then devising the most effective means of control. The results are shown in risk diagrams that are used to communicate results to the management at project, asset and corporate levels. Risks that end up in the red area of the risk matrix are regarded as challenging, requiring high management attention and the identification and implementation of effective control measures.

EPRA is used to support risk assessment workshops in which representatives of HSE, CSR, and ethics and anti-corruption disciplines - together with the project team - review both the adverse and beneficial risks. The process is intended to promote clearly defined and transparent decision-making, as well as shared understanding and ownership of risk by project management and the asset owner - which is essential for effective follow-up and monitoring.

Integrated impact management
An integrated impact management process that addresses the environmental, social and human rights impacts of our activities and provides for engagement with stakeholders is one of the company's main tools for ensuring sustainable performance. This process helps us to identify the source and nature of potentially adverse environmental, social or human rights impacts on our stakeholders. On that basis, we develop plans to manage opportunities and potential adverse impacts.

Statoil's requirements for impact management for Statoil-operated activities are based on both national requirements in the countries we operate and international guidance as set out in International Standards Organisation (ISO) Standard 14001 for environmental management systems, the Equator Principles and the IFC's Performance Standards on Environmental and Social Sustainability. The impact management process forms an integral component of the overall risk management process in Statoil.

The disclosure of information and an open dialogue with potentially affected communities and other stakeholders are key elements in the impact management process. This is described in the article *Stakeholder engagement*.

In joint ventures and partner-operated projects, we also endeavour to promote Statoil's principles for integrated impact management as a tool for achieving sustainable project performance.

Human rights due diligence
Human rights due diligence and risk management are integrated in all the company's general systems for assessing and managing social risks. In countries or contexts in which human rights risks are particularly significant, dedicated human rights risk assessments may be carried out when needed. Human rights is addressed as a part of our standard integrity due diligence (IDD) research of third parties with whom we may enter into a business relationship. Our standard contract requires adherence to national laws and regulations, and, where necessary, all efforts are made to include specific provisions relating to human rights in contracts with partners and suppliers.

1.1.5 Stakeholder engagement

Building relations and partnerships with our stakeholders is critical to managing the risks and opportunities our activities entail.

We engage with our stakeholders in various ways at the corporate, country and project levels. Our operations affect a range of different groups of stakeholders - from local communities and governments to suppliers, employees, business partners and investors.

Governments
We work with governments in a range of contexts. We have dealings at the governmental level through bidding processes and production-sharing agreements, and as operators and partners in operations.

We maintain close contact at political and administrative levels of government in most of the countries where we are present. These contacts represent essential stakeholder value to us and vice versa. We have offices in key policy-making centres of particular relevance to our business - including Oslo/Stavanger, Washington DC, and Brussels - in order to share our knowledge, experience and understanding of energy issues with policymakers. We engage in public policy debates on a range of issues from legislative and regulatory frameworks for Statoil and the industry to issues of global concern such as climate change, sustainable development and revenue transparency. We believe that this should be done in a transparent manner and that our participation provides added value to our business interests and the societies we are a part of.

We do not receive significant financial assistance from governments, and our Ethics Code of Conduct prohibits us from supporting - financially or otherwise - political parties or individual politicians.

We also work with governments through multi-stakeholder initiatives - including the Extractive Industries Transparency Initiatives (EITI), the Voluntary Principles on Security and Human Rights (VPSHR) and the Global Gas Flaring Reduction (GGFR) partnership, in which companies and governments work to improve the investment climate and safeguard our business standards in host countries.

Local communities

We work with communities in the countries in which we operate to mitigate any potentially adverse impacts of our projects, and we try to maximise the shared value and benefits of our business. We use public consultations, surveys, interviews, town hall meetings and community panels to understand our impact on communities, and to devise mitigation strategies and plans to improve our contribution to the communities concerned.

Recognising that different countries have different procedures and routines for involving stakeholders, Statoil's ambition is to both comply with national requirements and to apply best practice as described in international guidelines and standards. Where appropriate, we try to establish a direct dialogue with representatives of the affected communities and other stakeholders.

Guiding principles for community dialogue

In our guidelines for project development and integrated impact assessment, we have developed a set of guiding principles for our engagement with communities and other local stakeholders during the impact assessment process. In summary:

- Consultations with community stakeholders must be initiated already during the early scoping process for projects, and they must be held on a regular basis throughout the impact assessment process in order to identify and follow up potential impacts on these stakeholders, so that their views can be incorporated into the decision-making process.
- If ongoing impacts on and risks to the affected communities are expected, arenas for dialogue should be established throughout the project's lifetime, such as regular meetings, newsletters and stakeholder forums.
- The consultation process should be tailored to the language preferences of the affected communities, their decision-making processes and the needs of disadvantaged or vulnerable groups.
- In projects with potentially significant impacts, and where otherwise relevant, community grievance mechanisms should also be considered from the very beginning of the project process. They should be in place during construction and operations and until the end of the project.
- In projects where indigenous peoples could be among the impacted communities or individuals, free, prior and informed consultations should be held in order to facilitate effective participation in matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The consultation process should be culturally appropriate and commensurate with the risks to and potential impacts on indigenous peoples. Specific consideration of literacy levels is required. Furthermore, the special rights of indigenous peoples as recognised by host-country legislation and international standards will need to be addressed.

Civil society and international organisations

We aim to maintain an open and clear dialogue with representatives of civil society in the countries where we operate. They include media, non-governmental organisations (NGOs), international organisations, academics and research centres, as well as host societies and communities.

At the corporate level, we have agreements with some key organisations that enable information and expertise to be shared. Our agreements with Transparency International Norway and Amnesty International Norway are examples of corporate-level partnerships aimed at sharing expertise. Furthermore, we support relevant multi-stakeholder initiatives such as UN Sustainable Energy for All, the UN Global Compact and the Global Reporting Initiative (GRI) at the corporate level.

More information about how we work in collaboration with civil society organisations, international organisations and multi-stakeholder initiatives on relevant issues such as climate change, human rights and labour standards and anti-corruption is available in the relevant articles under *Policy and principles*.

Industry associations

Statoil is a member of several industry associations and business chambers. Examples of these include the Federation of Norwegian Industries, the American Petroleum Institute, the Canadian Association of Petroleum Producers (CAPP) and the International Association of Oil & Gas Producers (OGP).

Some of the industry organisations we are a member of focus on promoting sustainability and transparency standards that are relevant to business, such as the World Business Council for Sustainable Development (WBCSD), CONCAWE (the oil companies' European association for environment, health and safety in refining and distribution), the International Emissions Trading Association (IETA), the Partnering Against Corruption Initiative (PACI) and the Global Oil and Gas Industry Association for Environmental and Social Issues (IPIECA).

Statoil is working closely with industry peers on the prevention of major accidents and emergency preparedness through the following joint industry programmes:

- The Marine Well Containment Company (www.marinewellcontainment.com), a non-profit industry consortium set up to provide a containment response system for the Gulf of Mexico.
- The Subsea Well Response Project (subseawellresponse.org), an industry cooperative effort to enhance global well containment capabilities. Through this cooperative, oil and gas companies are working together to improve the speed and effectiveness of the international industry response to well incidents.
- The Oil Spill Joint Industry Project (oilspillresponseproject.org) being led jointly by the oil and gas industry bodies IPIECA & OGP. The aim of this project is to develop appropriate strategies for oil spill preparedness and response

- The Arctic Response Technology Joint Industry Programme (www.arcticresponsetechnology.org). This was launched in January 2012 and is being led by OGP. The aim of this programme is to expand industry knowledge of, and proficiencies in, Arctic oil spill response.

Employees and unions
We engage with our employees through the annual Global People Survey, through collaboration with employee unions and representatives, as well as through other collaborative efforts, including the intranet and the CEO's microblog. For more information about forms of collaboration, see the article *People* under *Policies and principles*.

Investors and shareholders
We aspire to build trust by being as open and truthful as possible in our dialogue with investors and shareholders. We respond to investor initiatives to promote sustainability such as the Carbon Disclosure Project, as well as to selected sustainability ratings and indexes such as the Dow Jones Sustainability Index and FTSE4Good.

Relevant policies, principles and forms of engagement related to investors are described in the "Corporate governance" section on Statoil.com.

Business partners and suppliers
We engage with business partners and suppliers through a range of collaborative activities, as described in the *Partners and suppliers* article. We ask our key suppliers for a reverse performance feedback per contract on an annual basis.

Customers
After the sale of Statoil Fuel and Retail in June 2012, Statoil is primarily an upstream company with selected midstream positions. Our main customers are oil refineries, other oil companies, large players in the European gas market and distributors of refined products.

1.1.6 Partners and suppliers

Statoil works with a wide range of partners and suppliers around the world. Through our process for integrity due diligence reviews, we strive to ensure that our partners and suppliers meet our requirements for ethical conduct in our joint operations.

Integrity due diligence (IDD)
Third parties providing services to Statoil can impact our operations and reputation. Statoil therefore seeks and develops relations with suppliers and partners that uphold our commitment to our values and operational integrity. Prior to entering a joint venture or awarding a contract, all suppliers and partners are screened for material integrity risks, and, if relevant, subjected to a more extensive IDD review.

Our company-wide IDD process helps us to understand potential partners and suppliers, how their business is conducted and what their values are. This is especially important in countries where integrity risks are high, and where partners and business practices are unfamiliar to us. The IDD requirements cover the areas of anti-corruption, human rights and labour standards.

With the possible reputational and financial impact and liability that can result from the actions of business partners, IDD is, in our opinion, one of the most effective tools available. Early risk identification is the key to success in managing integrity risk.

We have a separate staff function that is responsible for carrying out IDD. Based on the outcome of the IDD process, the follow-up strategy for the administration of the specific contract shall include any required mitigating measures. The IDD process is risk-based and includes a thorough evaluation of high-risk cases.

Working in joint ventures
In joint ventures that Statoil operates, and where legal and contractual arrangements allow, our policies, standards and operating system apply.

In joint ventures not operated by Statoil, our influence and control will normally depend on our ownership share in the joint venture. However, even if we do not have direct control, our policies require us, to the extent possible, to ensure that the principles for governance are of a similar standard as those of Statoil. Regardless of ownership level, each joint venture will be governed by a written agreement that includes anti-corruption clauses, including the operator's responsibilities related to anti-corruption measures.

Working with our suppliers
Our suppliers contribute significant value to us, our partners and customers, and we believe that maintaining a strong relationship with high-quality suppliers will help us to maintain a competitive edge over time.

We base our procurements on competitive bidding and the principles of transparency, non-discrimination and equal treatment of bidders. Our procurement policy is available in The Statoil Book.

We are committed to using suppliers that operate consistently in accordance with our values, comply with applicable national laws and meet Statoil's requirements for suppliers in the areas of HSE, quality management systems, ethics and anti-corruption, and corporate social responsibility, including human rights and labour standards.

We recognise that managing and monitoring compliance with our standards in the supply chain is challenging and complex. Following a risk-based approach, we endeavour to follow up and monitor suppliers with whom we have direct contracts.

The supply chain management process includes requirements for follow-up and monitoring of the issues stated in the supplier declaration - HSE, ethics, labour standards and human rights. HSE is followed up by the line according to requirements in the contracts for day-to-day operations, in follow-up meetings with suppliers, and through supplier verifications and inspections. Additional follow-up and monitoring of the supply chain is conducted on the basis of our risk assessment.

Pre-qualification of suppliers
Potential suppliers are informed about our HSE, CSR (including human rights and labour standards) and ethical requirements in the pre-qualification and invitation to tender phases prior to contract award. Specific requirements for these issues are included in the contract and form the basis for follow-up of the supplier's performance through the contract administration phase.

Standards related to HSE are promoted through a specific HSE pre-qualification.

Prior to contract award, suppliers are screened for material integrity risks, and, when relevant, subjected to further IDD as described above.

Supplier declaration
All potential suppliers for contracts worth more than NOK 7 million are required to sign a supplier declaration in the pre-qualification phase. The supplier declaration is also commonly used for purchases below this threshold value, though it is not required. The supplier declaration is included in the contract.

In addition to minimum standards for ethics, anti-corruption and HSE, the declaration commits our suppliers to respecting human rights, core labour standards and employment conditions, as well as to promoting these principles among their own sub-suppliers. The supplier declaration is available at Statoil.com.

Supplier development
To enhance our collaboration with suppliers, we host a number of supplier events and meetings in different locations throughout the year. Annual supplier days are hosted by the chief procurement officer and aim at connecting representatives of the supplier industry with relevant entities and people in Statoil.

Information about how we contribute to local supplier development is available in the *Our approach/Society* article.

1.1.7 Training and capability building

In Statoil, we encourage our employees to take responsibility for their own learning and development and continuously build new skills and share knowledge.

Learning and development
We strive to promote a stimulating and high-performing work environment guided by our values and a commitment to personal and professional development.

People@Statoil is our common annual process for people development, deployment, performance and reward. During the process, we make development plans and actions for all employees that are aligned with our goals and strategies. As a part of this, we provide on-the-job training, skills management tools and extensive training programmes. We continue to develop and facilitate knowledge-sharing arenas, such as professional networks and internal seminars, by strengthening the use of our social software. Based on business needs, we also support postgraduate studies such as master's and PhD programmes.

A Corporate University project was launched in the company in 2012. The main goal of the Corporate University is to instill our workforce with more commercial, entrepreneurial and innovative competence, and maintain a competitive edge by stimulating learning and innovation through connections and collaboration with other business units, processes and external partners. The revised learning strategy driving this focuses on greater responsibility for own learning and on making learning resources available to the user where and when they are needed, which means fewer classroom courses and more use of collaboration technology. This will make formal learning resources and activities more readily accessible to Statoil employees across the globe.

Human rights training
Training on environmental, social, human rights, and governance issues in Statoil is provided to all employees - including new employees, project managers, business developers, procurement and technical staff, as well as line managers and advisory staff. This training takes many forms, ranging from e-learning courses and formal training to on-the job learning and competence sharing through functional networks. Moreover, CSR and ethics modules are to a large extent integrated into existing training and courses. It is difficult, therefore, to provide a full overview of the total number of hours spent on training on particular sustainability topics.

Respect for human rights is one aspect of Statoil's CSR commitment that is integrated into the CSR training modules and processes described above. Some aspects of human rights, such as non-discrimination and core labour rights, are covered by our process for integrity due diligence (IDD) and are part of the IDD training, while the health and safety aspects are covered in our HSE training courses. Furthermore, the mandatory ethics and compliance e-learning includes dilemmas related to work harassment. Specific, customised training on human rights is provided to CSR and other relevant staff who might need to work directly on these issues.

Ethics and anti-corruption training
Training and raising awareness are key responsibilities of the ethics and compliance function in Statoil. Key elements of our ethics training include:

- Full-day ethics and anti-corruption training workshops
- A mandatory e-learning programme for all employees on our Ethics Code of Conduct.
- Ethics and anti-corruption training for all new employees and trainees
- Integrated ethics and anti-corruption modules in specific education programmes in Statoil

The full-day ethics and anti-corruption workshops target selected employees. Employees are requested to attend based on an assessment of risk exposure in their day-to-day work. In addition to in-depth focus on relevant provisions in our Ethics Code of Conduct and anti-corruption programme, the workshops provide an introduction to applicable local and international anti-corruption laws and regulations.

The 90-minute mandatory e-learning programme for all employees focuses on the Ethics Code of Conduct, covering issues such as gifts and hospitality, bribery, facilitation payments, conflicts of interest and workplace harassment.

New employees are given a mandatory face-to-face introduction to Statoil's Ethics Code of Conduct. Statoil has also integrated anti-corruption training into specific internal education programmes, such as courses in business development and international negotiations. A two-hour e-learning course on IDD is provided to employees with responsibilities relating to procurement.

Energy and climate leadership programme
As economic conditions and the world's energy realities become increasingly complex, we believe that Statoil's management must effectively anticipate and understand market shifts in order to position Statoil for continued growth and development. To improve its executive leadership, Statoil launched a climate and energy leadership programme in 2011. In 2012, two cohorts of ten senior executives from different part of the company were nominated and participated in internal and external training sessions on climate and energy policy. After completing the programme, participants are expected to actively invest in the company's ability to identify and respond to future uncertainties within their respective areas of responsibility.

1.2 Our performance

This section provides an overview of our sustainable performance in areas including recognition and awards, economic performance, social performance, and HSE and climate performance.

1.2.1 Recognition and awards

Statoil's ambition is to contribute to sustainable development - and we are proud to have received the following recognitions and awards for our sustainability performance in 2012.

Rankings

- Transparency International 2012: # 1 - Transparency in corporate reporting
- Corporate Knights 2012: # 3 - Global 100 Most Sustainable Corporations in the World
- Dow Jones Sustainability Index World 2012: Member
- FTSE4Good Index 2012: Member
- Etisphere Institute 2012: "World's most sustainable companies" list
- Oekom research company rating: Prime status
- Norway's Ideal Employers 2012: #1. Employer of choice in Norway among students and young professionals within the business, engineering and IT fields (Universum Norwegian Student Survey).

Awards

- 2012 Canadian Association of Petroleum Producers (CAPP) Responsible Canadian Energy Award for Environmental Performance
- Alberta Science and Technology Leadership Foundation (ASTech) 2012 Outstanding Achievement in Environmental Technology and Innovation Award

The CEO's HSE Award

- The Local Opportunity Centre (LOC) in Canada received the CEO's HSE Award in 2012. The award is Statoil's highest recognition for health, environmental and safety work.

1.2.2 Economic performance

We contribute to economic development locally through our taxes and contributions to governments, the staff we hire and develop, the services and goods we buy from local firms, and our direct social investments into our host societies and communities.

1.2.2.1 Local content and supply chain

Our business generates significant revenues for governments. In 2012, we paid NOK 19.4 billion in indirect taxes, NOK 127.6 billion in direct taxes, NOK 43.5 billion in profit oil in kind and NOK 9.4 billion in signature bonuses..

We contribute to economic development locally through the taxes and contributions that we make to governments, the staff that we hire and develop, the services and goods that we buy from local firms, and the social investments we make directly in our host societies and communities.

Local recruitment and job creation

We aim to recruit locally and provide attractive training opportunities that build local capacity and skills. In non-OECD countries in particular we are working to achieve a higher proportion of national staff, including at management level. For our workforce as a whole, the proportion of non-Norwegians increased from 18% in 2011 to 20% in 2012. The proportion of non-Norwegians among new hires was 41% in 2012.

Our operations in Angola provide one example of how we contribute to job creation. About 89% of Statoil's employees in Angola are local staff. To enhance local job creation and capacity building, Statoil has established a collaborative higher education initiative between a Norwegian and an Angolan university. This has assisted 36 students in carrying out master degree studies in petroleum sciences since 2008. For more information about how Statoil contributes to job creation and capacity building, see the *East Africa* case study. Our apprenticeship programme is another example of job creation, as described in the "People performance" article.

Local procurement

We make substantial purchases in connection with the development and operation of our activities. In 2012, the invoiced value of goods and services purchased was NOK 149.2 billion.

Procurement spend per country is disclosed in the "Economic impact per country" table in the "Payment to governments" article. Information about the percentage of local procurement per country is available in the table below.

Share of local procurement per country in 2012*

In-country procurement (%)	Countries
0-25%	Angola, Cayman Islands, Faroe Islands, Greenland, Mozambique, Netherlands, Tanzania
25-50%	Bahamas
50-75%	Brazil, Germany, Sweden, UK
75-100%	Algeria, Azerbaijan, Belgium, Canada, China, Denmark, Egypt, Indonesia, Iran, Iraq, Ireland, Libya, Nigeria, Norway, Russian Federation, Singapore, Tanzania, USA, Venezuela

* Based on supplier (invoicing party) country address

Supplier development

In the countries where Statoil has business activities, various supplier events and meetings were hosted throughout 2012.

In 2012, Statoil entered into an industry collaborative initiative to communicate new and upcoming contracts to the supplier market called Findcontracts.no. The portal is open to existing and new suppliers and collects and presents relevant information to all parties involved in oil and gas-related activities on the Norwegian continental shelf and beyond. Another new initiative was the Statoil Innovation portal.

In 2012, Statoil also had collaborative initiatives with supplier networks in Norway, Russia and Canada, targeting small- and medium-sized suppliers. Statoil contributed with capital and training. Examples of initiatives include the Local Opportunity Centre (LOC) in Conklin, Alberta, which is based near our Leismer operations. More than 1,200 individuals and local contractors used the LOC to access training and education programmes in 2012. While building a contract-ready workforce, the LOC provides local individuals, businesses and entrepreneurs with access to economic opportunities.

Other key initiatives include a joint workshop with Transparency International on anti-corruption in the supply chain in Norway, the Statoil Innovation portal (Statoil Technology Invest) and annual supplier days with key suppliers.

Use of supplier declarations

Using procurements based on 2012 contracts as the basis, our Supplier Declaration was used for approximately 80% of the procurements measured by value.

1.2.2.2 Payments to governments

Statoil supports revenue transparency by disclosing economic contributions to governments on a country-by-country basis.

Financial disclosure
In 2012, Statoil's revenues were NOK 705.7 billion, and we contributed NOK 127.6 billion in direct tax and NOK 19.4 billion in indirect taxes. Direct and indirect taxes will not normally accrue during the investment phase. Since a long time elapses from when a discovery until production starts up, there are examples of countries on the list in which we have investments, but in which we do not yet pay taxes.

Authorities in certain host countries demand payment in advance of exploration activities for the right to develop an exploration area. This type of payment is called a signature bonus. The size of the signature bonus is based on the exploration licence's presumed recovery potential and value, and the market's interest in the rights.

In 2012, Statoil paid NOK 9.4 billion in signature bonuses, of which NOK 6.0 billion was paid in the US. NOK 3.1 billion was paid in signature bonuses in Angola for operatorship for blocks 38 and 39 and partner positions in blocks 22, 25 and 40 in the Kwanza basin. The blocks were awarded to Statoil in late December 2011.

Statoil's disclosure of payments to governments is shown below.

The Extractive Industries Transparency Initiative (EITI)
Statoil continued to be a supporting company for the EITI and to represent the national oil company pillar on the EITI Board in 2012. Statoil operated in the following EITI-implementing countries in 2012: Azerbaijan, Indonesia, Kazakhstan, Mozambique, Nigeria, Norway, Tanzania and Iraq (representative office only). In addition to disclosing the requested financial information for the reconciliation reports in these countries, Statoil provided financial support of USD 60,000 as well as support in-kind to the EITI. Statoil is also represented by members or alternates in the national EITI multi-stakeholder groups in Norway, Kazakhstan and Azerbaijan.

EITI country reports are available at www.eiti.org.

Overview of activities by country (in NOK million, except number of employees)	Investments (1)	Revenues (2)	Purchase of goods and services (3)	Indirect taxes paid (4)	Direct taxes paid (5)	Profit oil In kind (6)	Voluntary social investments (7)	Contractual social contributions (8)	Signature bonuses (9)	Pay and social benefit (10)	Number of employees (11)
	Twelve months ended 31 December 2012										
Algeria	2,078	4,921	22	1	2,074	5,028				22	27
Angola*	9,491	21,394	62	14	4,626	25,474	17	281	3,137	19	38
Australia			15	0					94	0	
Azerbaijan	2,166	9,100	49	0	1,533	9,322	1			24	46
Bahamas	141	195	104	0	0	0	1			40	66
Belgium	(129)	0	88	0	221	0				22	90
Brazil	2,535	7,421	4,543	751	115	0	4	2		467	231
Canada	1,753	6,115	2,816	31	(9)	0	7	4		564	508
China	16	(1)	35	0	0	0				6	22
Denmark	190	32,780	3,277	2,560	(13)	0				300	405
Egypt			5	0	0	0				9	2
Estonia			125	374	0	0				0	
Faroe Islands	287	27	176	0						8	8
Finland			37	0						0	
Germany	80	418	618	56	43	0				39	43
Greenland	158			0					158	0	
India			24								
Indonesia	65	3	901	60	0	0	2		24	23	26
Iran**		1,031	18	5	26	0				8	15
Iraq			4	0						0	
Ireland	686	150	180	0	2	0				4	4
Kazakhstan	0	2	0	0						5	8
Latvia			145	531	0	0				0	
Libya	63	1,885	4	0	1,235	1,093				9	18
Lithuania			133	367	0	0				0	
Mozambique	13		9	8	0	0	1			0	
Netherlands	225	1,432	4,300	47	89	0	1			15	9
Nigeria	770	9,573	38	285	3,567	1,551	17			50	31
Norway***	54,410	615,021	112,724	7,325	113,757	0	155			24,124	20,186
Poland			405	31	0	0				0	
Russia	1	107	146	159	224	1,035	6			34	40
Singapore	0	0	711	0	(0)	0				57	35
Sweden	302	19,800	2,647	5,552	(120)	0				0	
Turkey			1	0						0	
Turkmenistan				0						0	1
United Arab Emirate			210								4
United Kingdom	2,810	1,849	6,063	40	262	0	5			434	326
United Republic of Tanzania	1,459	(0)	1,633	58	0	0				0	
United States of America	34,568	117,735	4,628	1,116	(13)	0	14		6,016	1,649	804
Venezuela	1	0	31	7	0	0				38	35
Rest of Europe	127		726	9	0	0					
Rest of the World			1,512		0	0				2	
Corporate social contributions							19				
Eliminations****	(952)	(145,225)	0		0	0					
Total	113,314	705,734	149,167	19,390	127,619	43,502	250	287	9,428	27,971	23,028

* The contractual social contributions in Angola include contributions to social projects, the Sonangol Research and Technology Center and Sonangol's personnel training programmes.

** Cost recovery related to previous investment.

*** The social investments figure for Norway does not include investments made by partner-operated fields.

**** Elimination of intra-group sales.

Data for 2011 and 2010 are disclosed in the 2011 Annual Report.

(1) Investments include non-cash effects of entering into capital lease agreements and exclude sales of assets.

(2) Sales revenues (excluding share of net income of affiliates) by company location. Includes Statoil Fuel and Retail up until 30 June 2012.

(3) Based on invoice address. Part of the cost is charged to partners in activities we operate, including those we conduct as a technical service provider. Does not include the purchase of petroleum products. Includes Statoil Fuel and Retail until 30 June 2012.

(4) Indirect taxes are taxes levied on consumption, sales, expenditure, privilege or right rather than directly on income or property. They include customs duties, excise duties, energy duties, etc (excluding value-added tax). Includes Statoil Fuel and Retail up until 30 June 2012.

(5) Income taxes paid for the fiscal year 2012, but also taxes for earlier fiscal years paid in 2012. We do not pay income tax in a number of countries because we have no production or other income-generating activities there. Lead times in the oil and gas industry (the period from discovery until production begins) can be long. This means that we invest substantial sums for a number of years before generating any taxable income.

(6) The host government's share of production after oil production has been allocated to cover costs and expenses under a production-sharing agreement (PSA).

(7) The voluntary investments made by the company either to help a community to meet its development priorities (for example education, health, and income generation) or to examine ways in which it can enhance existing opportunities such as local content development and the building of long-term skills to enable communities to participate in local and regional development. Please see Community and human rights for further definitions.

(8) Contractually required social contributions. Please see Community and human rights for further definitions.

(9) A one-off payment made to the government of the host country once awarded a licence.

(10) Includes pension and payroll taxes.

(11) Based on company location (the country in which the company with employees is registered). The actual number of employees present in the country is therefore likely to be different. This includes a lower number than stated for Norway (since more employees are expatriated from Norway), and a higher number of employees in most other locations. In some countries, for instance China, we are prohibited from employing local personnel on permanent contracts. This table only includes permanent employees, not temporary employees or apprentices.

1.2.3 Social performance

Developing our business in a sustainable way depends on our ability to cultivate and maintain enduring, mutually beneficial relations with the societies in which we operate.

1.2.3.1 Ethics and transparency

Our main focus in 2012 was on ensuring that our anti-corruption compliance programme continues to be aligned with external legislation and reflects international best practices, as well as providing training and raising awareness among our employees.

Ethics and anti-corruption
In 2012, more than 25,000 employees and hired personnel completed a mandatory 90-minute e-learning programme about our Ethics Code of Conduct. Our full-day ethics and anti-corruption workshops for selected employees were revamped to better facilitate discussions and tailor-made training. A total of 27 such workshops were held in 2012, involving more than 600 employees. Ten of the 27 workshops were conducted in Norway.

Approximately 150 employees completed a two-hour integrity due diligence (IDD) e-learning course targeting employees with procurement responsibilities. More than 1,100 new employees in Statoil were given a mandatory face-to-face introduction of our Ethics Code of Conduct.

Statoil's Ethics Code of Conduct was reviewed in 2012, resulting in minor changes. A complete review of the anti-corruption programme was performed in cooperation with external lawyers with expertise in UK and US anti-corruption legislation to ensure that the programme is aligned with recent legislative developments and that it properly addresses relevant risks. As a result of the review, the requirements were adjusted to reflect the UK Bribery Act requirements, and new procedures for risk assessment and monitoring were established.

By the end of 2012, Statoil had completed a risk assessment of corruption in all business areas and corporate staff entities, and relevant mitigation actions have been identified.

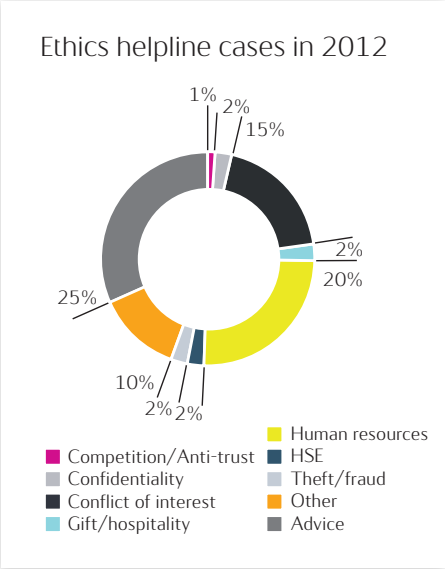
Corporate audit performed a review of Statoil's anti-corruption compliance function in 2012, concluding that the effectiveness and efficiency of the function is satisfactory and that the activities are conducted in a professional manner.

The ethics helpline
In 2012 we received a total of 80 cases via the ethics helpline. Several of these cases were related to procurement and supplier relations, in particular questions regarding conflicts of interest. Additionally, there were many cases related to human resources, such as procedures regarding appointments and dissatisfaction with line managers.

The breakdown of cases is shown below.

Fines and sanctions
In 2012 Statoil accepted a fine of NOK 3 million from the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) for breaches of certain formal requirements in the Security Trading Act section 3-5 in connection with a stock market announcement in August 2011.

Lobbying and public policy
Statoil is part of the European Union Transparency Register and the United States Lobbying Register. In 2012, lobbying and public policy expenses are estimated to amount to NOK 10.9 million. This figure includes the sums declared by our representative offices in Washington DC and Brussels, as well as relevant staff costs in Norway. Statoil's public policy positions on highly relevant issues such as climate change and revenue transparency are disclosed in the *Our approach/Environment and climate* and *Our approach/Ethics and transparency* articles.



Ethics helpline, distribution of cases in 2012

The data covers Statoil, with the exception of Bakken.

1.2.3.2 Communities and human rights

In 2012, our ambition was to strengthen local stakeholder engagement and the efforts to implement our "responsibility to respect human rights" policy in accordance with the UN Guiding Principles on Business and Human Rights and our values and policies.

Human rights performance
A key priority in 2012 was to further improve the integration and embedding of human rights concerns into existing procedures for integrity due diligence (IDD) and risk and impact assessments - from new country entry and early business development decisions and throughout the project lifecycle.

A new work process for integrated risk assessment for new country entry, including human rights risk assessment, was developed and rolled out. This was applied to 10 new and potential country entries in 2012.

Improvements were made with regard to the coverage of human rights and labour standards in the existing IDD process for screening partners and suppliers.

Statoil also actively participated in joint industry work in IPIECA on developing oil and gas industry-specific human rights due diligence and the integration of human rights in impact assessments, and training and communication.

Relevant investment agreements were screened for human rights and CSR issues based on a risk approach. Of these, specific human rights clauses were included in two agreements. Similarly, based on potential partner due diligence, clauses and contract conditions to address human rights risks and impacts were included in relevant joint venture and supplier contracts.

Human rights training
In 2012, human rights training was provided as an integral part of corporate, project and business development courses; training for new employees; and procurement and technical staff. Training was also provided for new CSR staff at corporate, business area, country and project levels, as well as for asset managers and management teams. Several formal training courses were provided in 2012.

Human rights and security
Statoil is amongst the founding members of Voluntary Principles on Security and Human Rights (VPSHR). Our commitment to the Voluntary Principles is reflected in our corporate-wide policies and procedures for risk assessment, screening, deployment, training and follow-up of private and public security in high-risk locations - five in 2012 - and our active participation in the initiative and its outreach and awareness activities. In 2012, we also renewed our Voluntary Principles Association membership.

In 2012, Statoil continued to implement the Voluntary Principles in high-risk locations internationally. Statoil will continue to implement the principles in other relevant countries in 2013, based on a risk approach.

Grievances
Our projects seek to address community grievances primarily through regular contact with the communities, and compliance with any formal grievance-handling procedures that might be required by the regulatory authorities. We are in the process of developing more formal approaches to community grievance mechanisms for our operations and projects. In 2012, a project on improving operations-level community grievance mechanisms was initiated by Statoil Brazil.

Community dialogue
In order to ensure local stakeholder engagement, we reviewed and initiated the process of updating our internal guidance and process for integrated impact assessments to align with the revised IFC Performance Standards (2012) and the UN Guiding Principles for Business and Human Rights.

A new work process for an integrated risk assessment of new country entry was developed and rolled out. The new work process was applied to ten new and potential country entries in 2012. Integrated impact assessments were conducted for all relevant operations and projects in 2012 across Statoil operations through a risk-based approach.

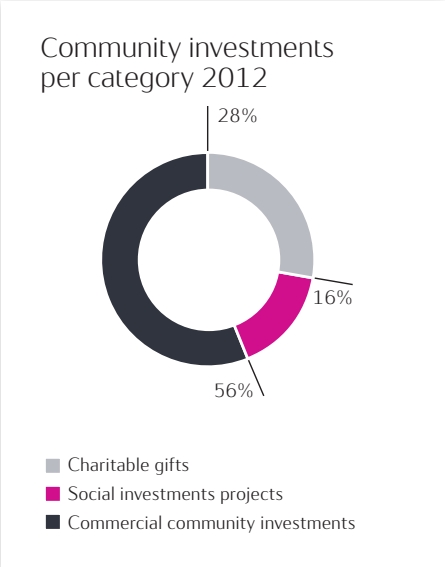
Local stakeholder engagement processes took place in all relevant locations, such as Indonesia, Canada, Alaska, Norway, Angola and Brazil. In Indonesia, for example, we have had ongoing dialogue and engagement with the local communities through our community relations staff, as well as through country, business area and senior management from Norway.

Another example of stakeholder engagement in 2012 was how the potential area conflict between seismic acquisition and mackerel fisheries in the Tampen area in the North Sea was addressed through a collaboration between Norges Fiskarlag (Norwegian Fishermen's Association) and Statoil. Statoil hired an independent fishery advisor, and had regular meetings with Norges Fiskarlag and the Norwegian Fisheries Directorate to agree to time sharing between fisheries and seismic activities. Seismic acquisitions were paused for 13 days in August-October in the interest of local fishing activities.

Resettlement
None of our projects in 2012 involved the involuntary resettlement or relocation of people. These factors are included in our risk assessments and project planning, and our approach is to avoid such situations.

Indigenous peoples
Our business activities have a limited interface with indigenous peoples communities. In 2012, relevant interfaces included primarily Alaska, Canada, and Australia - where we focused on ensuring respect for indigenous peoples' rights, promoting development benefits for relevant indigenous peoples communities and engaging with them in regular dialogue.

More information about how Statoil engaged with indigenous peoples in 2012 is available in the *Arctic exploration* and *Canadian oil sands* case studies.



Community investments
In 2012, Statoil spent NOK 537 million on community investments, of which NOK 250 million were voluntary contributions and NOK 287 million contractual obligations. The split between donations, social investment projects and commercial activities in the community [1] is provided below. An overview of community investments per country is provided in the *Economic performance* article.

In Angola, Statoil supports efforts to provide safe running water through the implementation of drinking water systems (building water points and washing places) in remote areas of the country. In 2012, Statoil supported three water supply projects in Bengo, Kwanza Sul and Benguela provinces. More than 9,000 people benefited from the programmes, and 35 tap stations and 27 washing places were built. The population in these areas, as well as daily workers and other indirect beneficiaries, now receive potable water on a daily basis and are better protected against water-related diseases. The development of water systems also eases the workload for women and girls, who do a lot of the water fetching, by providing water sources closer to their homes. In addition, the communities have received information and training in hygiene and are better prepared to improve the overall health situation for the community.

In Brazil, Statoil runs social investment projects, such as Dream Learn Work, aimed at students from low-income communities in Rio de Janeiro. We seek to provide education for youth aged 17-25 from local non-governmental organisations in Rio. Over the last two years, Statoil has provided 20 scholarships. We can thereby contribute to Brazilian society in close synergy with the needs of our core business.
Statoil also runs an environmental education programme (PEA) and a social communication project (PCS) which are mandated as part of the licensing requirements in Brazil. Both programmes have been implemented and will continue through the life cycle of the Peregrino project in local fishing communities and municipalities affected by the offshore field's activities. The PEA is aimed at strengthening community organisations directly and indirectly involved in local fishing activities. The PCS's main objective is to annually inform local fishing communities about our offshore operations and to monitor the 500-metre safety zone around our platforms on a daily basis. These programmes are essential to the process of establishing good relations with the local fishing communities that we impact and in building the necessary reliability for other engagements we pursue in the future.

In Norway, Statoil sponsors the FIRST LEGO League, Statoil's Natural Sciences Award, Teach First Norway and many of Norway's science centres as part of the Heroes of Tomorrow programme. In the university sector, we support study places in PhD programmes and we also fully fund SVALEX - an annual research expedition to Svalbard for select PhD students. The goal is to inspire young people to learn and discover that mathematics, science and technology provide the basis for solving many of the most exciting and important challenges we face, both in Statoil and as a global community.

For information about community investment projects in Canada, see the *Canadian oil sands* case study.

[1] Statoil's definitions are based on the London Benchmarking Group's Manual - volume 1 (www.lbg-online.net/media/5595/lbg_guidance_manual_vol_1_inputs.pdf)

Furthermore, Statoil uses the term "Community investments" when discussing social investment projects, donations and relevant commercial activities in the community.

1.2.3.3 People performance

Statoil's overall strategic objective is to build a globally competitive company and to be an exceptional place to perform and develop.

Attraction and recruitment
In 2012, Statoil was ranked the most attractive employer among engineering students in Norway in Universum's career barometer (*Karrierebarometeret*) survey. According to the Universum study, Statoil also maintained its status as the employer of choice in Norway among both students and professionals in the business and engineering fields. According to the same study, IT professionals in Norway this year also rated us employer of choice for the first time. In Houston, Texas in the US, Statoil received a *Houston Chronicle's* Top Workplaces Award, ranking 10th best in the large company category.

The intake of apprentices in Statoil ASA is an important part of the company's recruitment of skilled workers and commitment to the education and training of young technicians and operators in the oil and gas industry. In 2012, apprenticeships were given to 161 new students; of these 55 were female. The total number of apprentices in Statoil is currently 340.

In 2012, Statoil maintained long-term bilateral collaboration agreements with nine academic institutions in Norway as well as with academic institutions in the US, Canada, UK and the Netherlands. In Angola, Mozambique and Tanzania, Statoil has entered into several initiatives in order to encourage higher education in petroleum sciences - this includes the establishment of master degree programmes. See the case study *East Africa* for more information.

Through Statoil's STEM (science, technology, engineering, mathematics) strategy we continue our long-term support for a number of initiatives. We continued our global sponsorship of the FIRST LEGO League, an international competition for elementary and middle school students that aims to heighten science and technology interest in children and young people. We also renewed our commitment to Teach First Norway, our collaboration with Oslo City Council and the University of Oslo. In 2012, 18 graduates were recruited into the programme, eight of whom were female. More information about our STEM activities may be found in the Careers section of our website.

Employee and industrial relations
In 2012, management and employee representatives collaborated closely in processes such as the use of external hires, the corporate staffs and services review project and measures to follow up safety incidents on the Norwegian continental shelf. In these processes we have endeavoured to engage in open and honest communication both inside and outside formal meeting arenas. In 2012, the European Works Council continued to be an important channel of communication between the company and employees based in Europe.

In 2012, the global employee relations strategy was further developed within Statoil, requiring prioritised countries to define their own country-specific employee relations strategies. Such strategies were developed for Algeria, Angola, Azerbaijan, Brazil, Canada, UK and the US. The strategy is an integral part of our people policy, which aims to ensure that employees and management cooperate as effectively as possible throughout the company.

Statoil continued to contribute to global dialogue in the oil and gas industry by promoting good employee and industrial relations practices through various networks and forums (including IndustriALL, which we renewed our agreement with in 2012), and through participation by our employee representatives in these networks.

In the 2012 Global People Survey, which continues to have a high response rate of 86%, our employees reported an average overall satisfaction score of 4.6 on a scale from 1 to 6 (6 being the highest). This is consistent with the score of 4.7 from 2011. This high level of satisfaction and engagement among our employees is reflected in Statoil's low personnel turnover rates. The total turnover rate in Statoil for 2012 was 2.24%, which is again consistent with the total turnover rate of 2.28% for 2011.

Diversity

Statoil recognises the value of diversity throughout the organisation, and in 2012 we continued to monitor and promote diversity in our global workforce. We believe that diversity generates new and different ways of thinking and is crucial for our successful and sustainable international growth. We continue to focus on strengthening women in leadership and professional positions and on building broad international experience in our workforce.

In 2012, the overall percentage of women in the company was 31% - and 36% [1] of the members of the board of directors were women, as were 20% of the corporate executive committee. We pay close attention to male-dominated positions and discipline areas, and in 2012 the proportion of female engineers (26%) remained stable in Statoil ASA. Among staff engineers with up to 20 years' experience, the proportion of women was 30%. We continue to strive to increase the number of female managers through our development programmes, and in 2012 the total proportion of female managers in Statoil remained stable at 27%.

Statoil believes that being a global and sustainable company requires people with a global mindset. In 2012, 20% of employees and 20% of our managerial staff were of non-Norwegian nationality. That is an increase of 2% from 2011 for both categories. Outside Norway, Statoil aims to increase the number of people and managers who are locally recruited and to reduce the long-term, extensive use of expats in business operations. In 2012, 41% of new hires in Statoil were non-Norwegians and 30% were women.

At Statoil we reward our people on the basis of their performance, giving equal emphasis to delivery and behaviour. Our rewards approach is adapted to local market conditions at the locations in which we operate and is transparent, non-discriminatory and supports equal opportunities. Given the same position, experience and performance, our employees will be at the same remuneration level relative to the local market. This is demonstrated in the salary ratio between women and men at different levels in Statoil ASA. In 2012 this ratio remained very high, with an average of 98%.

Statoil's commitment to diversity and inclusion is demonstrated in the 2012 Global People Survey, where we maintained our high score of 5.1 (6 being the highest) for the existence of zero tolerance for discrimination and harassment within the workplace.

Staffs and services improvement programme

During 2012 Statoil has run a project to review the priorities, processes, roles and cost levels of the staffs and services across the company. The main findings from the review were that the staff entities and services areas deliver processes and products of high quality, but with too high complexity, cost and activity level. Statoil is facing an increasingly cost-competitive environment with lower margins, and we must ensure that our staffs and services meet our future needs and support Statoil's global growth strategy. The key objectives of the project are to drive simplification, increase business value, strengthen cost consciousness and develop the right capabilities. The overall cost reduction ambition of the change programme is approximately NOK 3 billion in annual cost savings by 2015.

The simplification of processes, active demand management, cost reduction measures and more effective ways of organising our activities has led to and will continue to lead to a reduction in activities and staffing levels. As a result of the broad change agenda a surplus of approximately 500 permanent employees and 200 external personnel has been identified. At the same time our business areas are growing and require more people. Through internal redeployment we are providing new tasks and development opportunities for people from the staff entities and services areas to the greatest extent possible, and we will provide the required training for employees who are assigned new positions in the business line.

People performance data

Statoil Fuel and Retail (service station personnel) is included in the Statoil group data, unless otherwise specified, in 2009 and 2010, but not in 2011 and 2012.

Key people performance data in the Statoil group unless otherwise specified*

	2012	2011	2010	2009
Diversity				
% staff, non-Norwegians	20	18	42	41
% management, non-Norwegians	20	18	40	40
% new hires, non-Norwegians	41	42	68	59
Gender equality				
% staff, women	31	31	37	37
% management, women	27	27	30	29
% new hires, women	30	34	40	41
% of earnings female vs male (ASA)	98	98	98	98
Labour relations				
% staff, member of trade union (ASA)	65	66	68	69
Corporate Governance				
Women, board of directors	4	4	4	4
Employee elected, board of directors	3	3	3	3
Non-norwegians, board of directors	4	3	3	2
Turnover				
Total turnover group**	2.24	2.28	10.31	NA

* Statoil Fuel and Retail (service station personnel) is included in 2009 and 2010.

** Turnover data disclosed in the 2011 annual and sustainability report covered only Statoil ASA. The turnover data presented above for 2011 and 2012 cover the Statoil group (excluding Statoil Fuel and Retail).

Number of permanent employees* and percentage of women in the Statoil group (headcount)

	Number of employees				Women			
Geographical Region	2012	2011	2010	2009	2012	2011	2010	2009
Norway	**20,186**	18,922	18,838	18,100	**30%**	30%	31%	31%
Rest of Europe	**925**	880	10,335	9,593	**30%**	31%	49%	50%
Africa	**116**	121	140	165	**25%**	28%	30%	28%
Asia	**157**	146	145	150	**56%**	59%	58%	55%
North America	**1378**	1030	713	584	**34%**	34%	33%	34%
South America	**266**	210	173	147	**38%**	40%	46%	48%
TOTAL	**23,028**	21,309	30,102	28,739	**31%**	31%	37%	37%
Non - OECD	**653**	593	2,732	2,703	**39%**	41%	63%	64%

* Statoil Fuel and Retail (service station personnel) is included in 2009 and 2010. The total number of employees including service station personnel in 2011 was 31,715.

Total workforce by region, employment type, and new hires in the Statoil group (headcount)

Geographical Region	Permanent employees 2012	Permanent employees 2011	Consultants 2012	Consultants 2011	Total Workforce* 2012	Total Workforce* 2011	% Consultants** 2012	% Consultants** 2011	% part time 2012	% part time 2011	New hires 2012	New hires 2011
Norway	20,186	18,922	2,549	3,095	22,735	22,017	11%	14%	3%	3%	1,661	1,373
Rest of Europe	925	880	165	223	1,090	1,103	15%	20%	1%	1%	100	100
Africa	116	121	53	43	169	164	31%	26%	NA	NA	15	6
Asia	157	146	14	22	171	168	8%	13%	NA	NA	31	30
North America	1,378	1,030	54	138	1,432	1168	4%	12%	NA	NA	344	353
South America	266	210	148	299	414	509	36%	59%	NA	NA	69	51
TOTAL	23,028	21,309	2,983	3,820	26,011	25,129	11%	15%	3%	3%	2,220	1,913
Non - OECD	653	593	230	400	883	993	26%	40%	NA	NA	120	106

* Total workforce consists of permanent employees and consultants. Statoil Fuel and Retail (service station personnel) is not included.

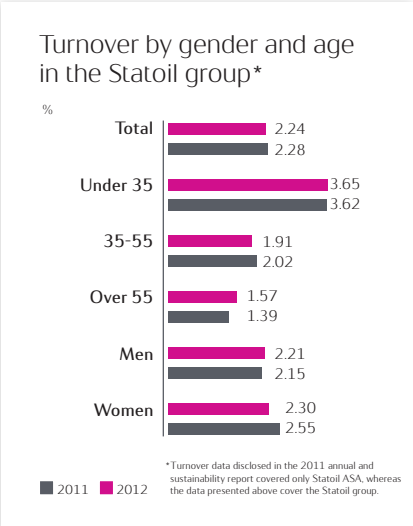
** Consultants do not include enterprise personnel

Internal learning and development in the Statoil group*

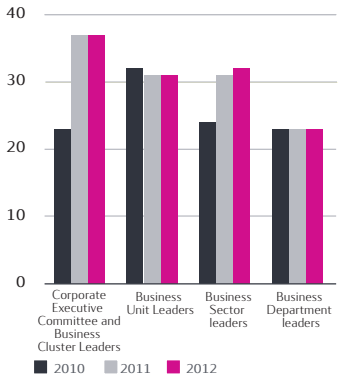
	2012	2011	2010	2009
Number of participants who have completed learning programmes	71,985	79,669	79,251	76,120
Total number of course participation days	131,764	141,903	138,475	133,492
E-learning participations	57,210	75,689	50,019	59,555
Number of leaders participating in corporate leadership development programmes	826	1,166	1,237	448
Total number of participation days in leadership development programmes	3,438	5,212	5,025	2,856

*The table provides an overview of training and development activites centrally registered in the Statoil Academy.

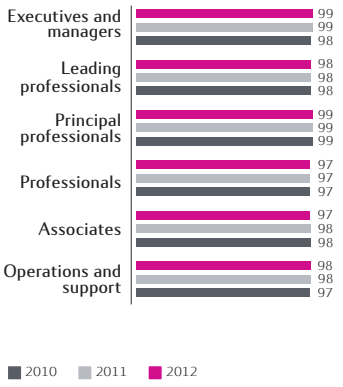
These figures do not include training and development activities provided outside of the company.



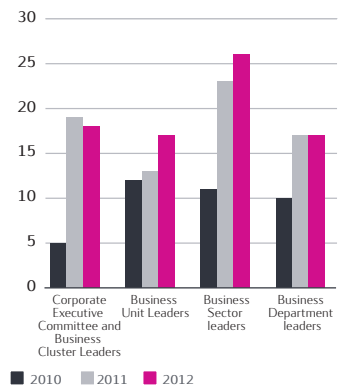
Share of female leaders % in the Statoil group



Salary ratio women to men in Statoil ASA (%)



Share of non-Norwegian leaders % in the Statoil group



1.2.4 HSE and climate performance

HSE accounting represents a key element of our HSE performance management. This involves recording, monitoring, assessment and reporting of relevant data.

The reporting boundaries for our HSE accounting are outlined in the *About the report* article.

HSE performance indicators have been established to provide information on historical trends. The intention is to document quantitative developments over time and to use the information in decision-making aimed at systematic learning and improvement.

The HSE data is compiled by the business areas and reported to the corporate executive committee and the board of directors on a quarterly basis. This includes reporting at the corporate level on our key performance indicators, namely total recordable injury frequency (TRIF), serious incident frequency (SIF) and accidental oil spills (number and volume).

1.2.4.1 Safety and security

Safety management focus areas are informed by analysing our own incidents and those of the wider oil and gas industry. Our security risk picture is developing nationally and internationally in line with our increased global presence and footprint.

Safety performance management
Our focus on analysing our own incidents along with those of the wider oil and gas industry ensures a dynamic approach to safety performance management.

For 2012 the key focus areas for safety performance management were:

- Major accident hazard risk management (for more information, see the *HSE and climate* article in the section *Policy and principles*)
- Key root causes of incidents
  - Well control incidents
  - Oil and gas leaks
  - Weaknesses in technical safety barrier performance
  - Preventative maintenance measures
- Falling objects
- Security risk management

Further development and implementation of the "HSE culture and learning" programme, which addresses the follow-up actions from the Gullfaks C incident in 2010, was also a priority area in 2012, as described in the *HSE and climate* article under *Policy and principles*.

We analyse data to assess the effectiveness of the measures we take and work to improve our knowledge of how accidents may develop by identifying the root causes. Evaluation of the root causes may be used as the basis for further improvement initiatives.

Safety indicators
Statoil uses SIF (serious incident frequency) as a key performance indicator (KPI) to monitor HSE performance. This KPI combines both actual consequences of incidents and the potential for incidents to develop into serious or major accidents.

In 2012, Statoil progressed work internally and with authorities and industry organisations such as the International Association of Oil and Gas Producers on identifying potential leading indicators for our safety performance that give an early warning of an increasing risk. In conjunction with this work, Statoil undertook monitoring of the following during 2012: well control incidents, oil and gas leaks, weaknesses in technical safety barrier performance, and preventative maintenance activities.

Well control incidents
Statoil has run a programme of initiatives in recent years aimed at improving risk management of well control incidents. These initiatives include well construction.

Our performance data for 2012 indicates a significant reduction in the number of well control incidents since 2010, despite a corresponding high level of production and exploration drilling activities. The number of well control incidents was reduced from 8 in 2010 to 0 in 2011, and then increased to 1 in 2012.

Oil and gas leaks
A variety of initiatives have been implemented to strengthen our oil and gas leak performance. These include initiatives addressing our ability to maintain primary containment and providing training in routines for working on pressurised systems.

Our performance data for 2012 indicates a reduction in the number of recorded serious oil and gas leaks from 15 in 2011 to 8 in 2012.

Technical safety barriers and preventative maintenance
We recognise that the integrity of technical safety barriers is essential for managing major accident risk. We have implemented the technical integrity management programme (TIMP) across the majority of Statoil-operated facilities. This system gives an up-to-date, comprehensive, systematic and easily accessible overview of plant integrity for operators, engineers and management teams.

Independent technical safety condition verifications are performed approximately every five years on each facility. They are used to verify that the regular TIMP integrity assessments reflect the operating status and that plant integrity is maintained at an appropriate level. In Norway, the Petroleum Safety Authority issues an annual report on the condition of technical safety barriers for all operators on the NCS, including Statoil. The report launched in 2012 confirmed that the barrier performance on the NCS was at an acceptable level, and is improving.

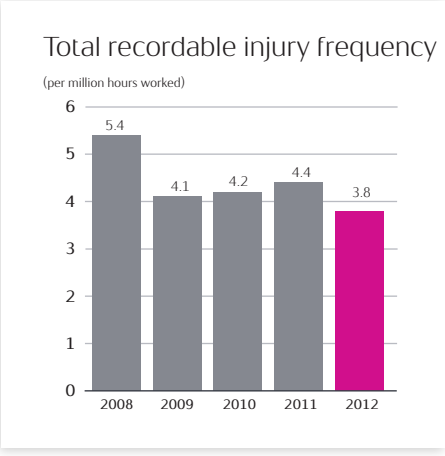
Falling objects
Analysis of our SIF data for 2012 indicates that falling objects represent approximately half of the incidents reported. As such incidents have the potential to cause serious injury or fatality, Statoil recognises that continued attention must be maintained on such incidents in the years to come. At the start of 2012, some parts of the company experienced a worrying increase in the number of incidents involving falling objects. Renewed initiatives were carried out at various levels in the organisation.

Security
Statoil's security risk picture is developing both nationally and internationally, with our increased global presence and footprint. In the wake of the 22 July 2011 terror attacks in Norway, Statoil's capability and capacity to respond to serious security incidents was evaluated by a team of internal security and emergency response specialists. The review concluded that the organisation had a robust and capable emergency response organisation, but also pointed to areas for improvements. Follow-up activities have been executed throughout 2012, with focus on management system adjustments, analysis of political- and security-related intelligence, strengthening of physical security measures, and mitigation of potential personnel and information-related vulnerabilities.

On 16 January 2013, Statoil, together with our partners BP and Sonatrach, was hit by a terror attack on the In Amenas gas production facility in Algeria. Five esteemed and dear Statoil colleagues lost their lives in the attack. Twelve of our employees managed to escape to safety. Analysis and follow-up of this incident will be a key security priority in 2013.

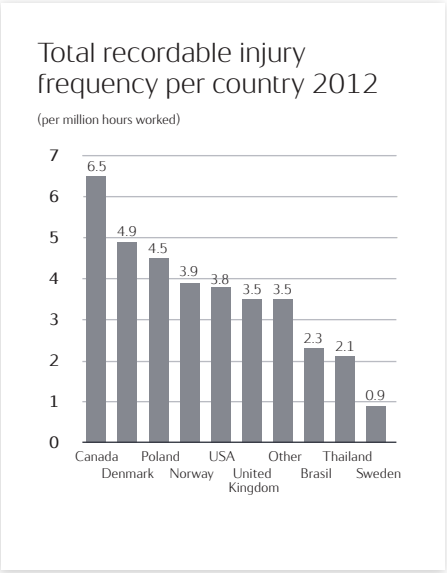
Corporate key performance indicators
In 2012, our operations accounted for 138.7 million work hours (including contractors). These work hours form the basis for the frequency indicators for our HSE accounting.

Fatalities
During 2012 there were no fatalities recorded among our employees and contractors. See "serious incident frequency" below.



Total recordable injury frequency (TRIF)
Definition: Number of fatal accidents, lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked.

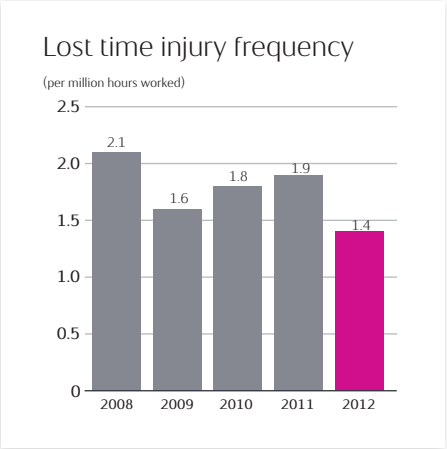
Developments: The number of total recordable injuries per million work hours (TRIF) decreased from 4.4 in 2011 to 3.8 in 2012. A further breakdown shows a contractor TRIF for 2012 of 4.3 compared with 5.1 in 2011, and Statoil employee TRIF for 2012 at 2.7 compared with 3.3 in 2011.



Total recordable injury frequency per country

Definition: Number of fatal accidents, lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked per country. Countries having less than 1 million work hours in 2012 are included in the category "Other".

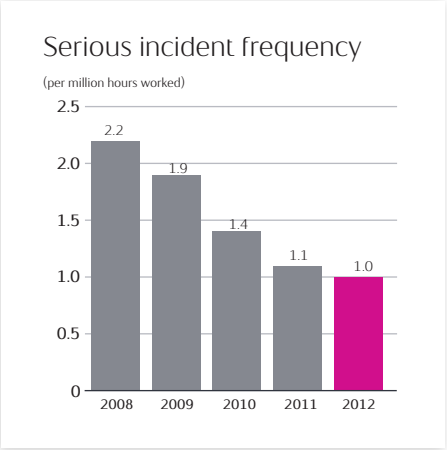
Developments: Total recordable injury frequency per country varied across our portfolio, with our Canadian operations registering the highest TRIF. The main contributor to the Canadian TRIF is our winter drilling activities.



Lost-time injury frequency

Definition: The number of fatalities and lost-time injuries per million hours worked.

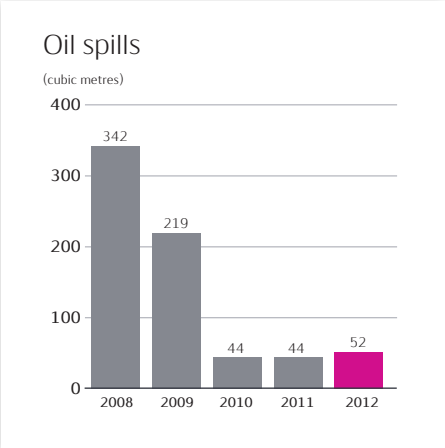
Developments: The lost-time injury frequency (including Statoil employees and contractors) decreased from 1.9 in 2011 to 1.4 in 2012. The frequency for Statoil employees decreased from 1.9 in 2011 to 1.4 in 2012, and for contractors from 1.9 in 2011 to 1.4 in 2012.



Serious incident frequency (SIF)

Definition: The number of serious incidents (including near misses) per million hours worked. An incident is an event or chain of events that has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party. Matrices for categorisation have been established, in which all undesirable incidents are categorised according to the degree of seriousness. This forms the basis for follow-up in the form of notification, investigation, reporting, analysis, experience transfer and improvement.

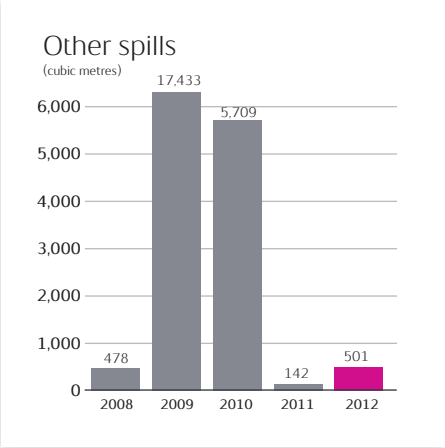
Developments: The serious incident frequency (including Statoil employees and contractors) decreased from 1.1 in 2011 to 1.0 in 2012. There were no fatalities in 2012. Analysis of our SIF data for 2012 indicates that falling objects represent approximately half of the incidents reported (see "Falling objects" above).



Oil spills

Definition: Unintentional oil spills to the natural environment from Statoil operations (in cubic metres). All unintentional oil spills reaching the natural environment from Statoil operations are included in this figure.

Developments: The number of unintentional oil spills was 306 in 2012, compared to 376 in 2011. The volume of spills increased from 44 cubic metres in 2011 to 52 cubic metres in 2012. The major driver behind the recorded reduction in the number of spills in 2012 was the exclusion of data for Statoil Fuel and Retail (SFR) from 1 July 2012, due to the sale of this company (30 June 2012). SFR data accounted for a high frequency of low-volume spills. The main contributors to the overall volume for 2012 were two incidents in our Bakken operations, with a combined total recorded volume of 21 cubic metres.



Other spills

Definition: Other unintentional spills to the natural environment from Statoil operations (in cubic metres). All unintentional spills of chemicals, produced water, ballast water and polluted water reaching the natural environment from Statoil operations are included. Note that previously published 2011 figures have been updated due to system error that caused the exclusion of monoethylene glycol (MEG) spills from our 2011 accounts. Figures at the corporate level from 2009 are verified by external auditors.

Developments: The number of other unintentional spills was 180 in 2012, compared with 149 in 2011. The volume of spills in 2012 was 501 cubic metres compared with 142 cubic metres in 2011. Several spills of aqueous fire-fighting foam (AFFF) influenced the performance in 2012. We have initiated a focus campaign to address such spills in 2013.

1.2.4.2 Environment and climate

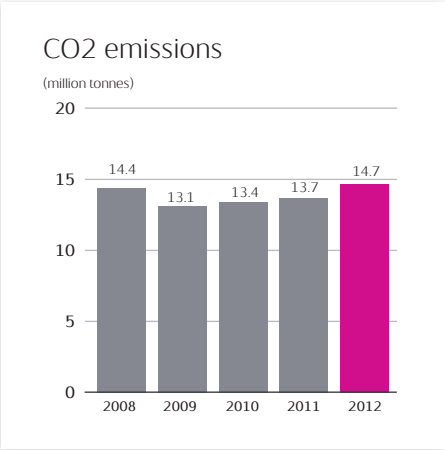
We have five principle perspectives for the management of our environmental performance - consultative risk and impact management, pollution prevention, sustainable resource use, protection of the natural environment and climate change mitigation.

The Statoil-operated activities that had the most significant impact on our overall environmental performance in 2012 were the manufacturing and processing plants in Denmark and Norway, our offshore production installations on the Norwegian continental shelf (NCS) and in Brazil, our onshore oil sands operations in Canada, and our shale operations in the US.

2012 was the first full year of production reported for both the Bakken onshore shale activities in the US and the Leismer oil sands operations in Canada. The impact of this on our corporate environmental performance is discussed in the analysis related to the relevant environmental performance indicators below.

Corporate key environmental performance indicators

Our key environmental and climate performance and activities in 2012 are outlined below. We collate and analyse environmental data for our planned operations. See *About the report* for more information about reporting boundaries.



CO2 emissions

Definition: Total emissions of carbon dioxide (CO2) in million tonnes from Statoil-operated activities. Carbon dioxide emissions include carbon dioxide from energy and heat production, flaring (including well testing/well work-over), rest emissions from carbon dioxide capture and treatment plants, and process emissions.

Developments: Emissions of CO2 increased from 13.7 million tonnes in 2011 to 14.7 million tonnes in 2012. Power generation represents approximately 90% of the total CO2 emissions.

A net increase in production volumes in 2012 explained approximately 600,000 tonnes of the increase, whereas the newly acquired shale activities in Bakken in the US made the most significant single contribution - accounting for approximately 400,000 tonnes.

The most significant net increase in CO2 emissions linked to increased production was the 156,000 tonnes of CO2 from our NCS operations. This net increase was a result of both increases and decreases in production level across the facilities. The facilities contributing to the greatest increases were Snøhvit and Gullfaks, contributing to a combined 240,000 tonnes increase in CO2 emissions. Counter to these increases, approximately half of our remaining NCS assets showed a decrease in CO2 emissions with corresponding decreases in production compared to 2011. The Sleipner asset showed the most significant decrease (approximately 60,000 tonnes).

The emissions from our manufacturing and processing facilities increased. The most significant contributor to the increase was the Mongstad facility, where a recalibration of the exhaust gas emission measurements increased CO2 emissions by 184,000 tonnes.

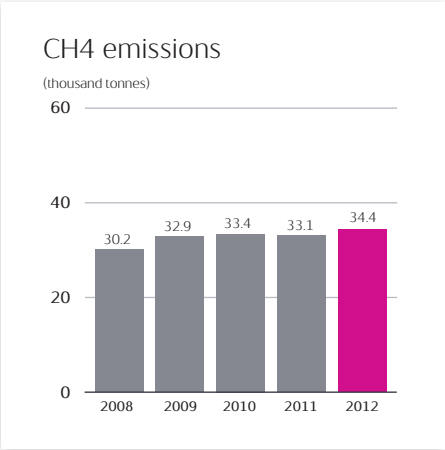
Emissions from our international operations increased in 2012 due to increased production, mainly at Leismer in Canada, where an increase in steam generation resulted in an increase of approximately 88,000 tonnes of CO2.

Key activities in 2012:

In 2012, we were engaged in the following key ongoing initiatives for CO2 emissions reduction across the company:

- *CO2 emissions reduction indicator:* The establishment of a new corporate CO2 emissions reduction indicator that measures tonnes of CO2 reduction achieved through targeted projects implemented for Statoil-operated assets. The intention is that this indicator will be used in the future to measure progress towards our 2020 business segment-based carbon intensity targets (see above).
- *Energy efficiency projects:* In 2012, we continued to focus on initiatives to improve energy efficiency in our operations, including implementation of energy efficiency plans for each of our installations on the Norwegian continental shelf (NCS) to fulfill our Konkraft 2020 target. This will involve the implementation of NCS energy efficiency projects that correspond to a total of 800,000 tonnes of CO2. By the end of 2012, Statoil had achieved CO2 reductions of 520,000 tonnes towards the target. Looking forward, we expect that energy efficiency plans for our subsea operations on Åsgard and Gullfaks will be important contributors to the Konkraft 2020 target.
- *Joint R&D work with the Heavy Oil Technology Centre in Canada and our heavy oil group in Norway*: The R&D work focuses on developing the technical solutions to achieve our CO2 intensity reduction targets of 25% by 2020 and 40% by 2025, respectively, for our oil sands operations, as described in the *Canadian oil sands* case study.
- *Energy-efficient shipping transportation*: In 2012, these efforts specifically included the establishment of the carbon pact with Mærsk, and the signing of charter contracts for newbuild, energy-efficient ships to support our future NCS activities (see *HSE and climate*).
- *Flaring reduction initiatives*, see *Methane emissions* and *Emissions from flaring* below.

Statoil's **2020 carbon intensity targets** per business segment were established and communicated externally in 2011. For more information about the targets, see the *Our approach/HSE and climate* article and the Climate landing page at Statoil.com.



Methane (CH4) emissions

Definition: Total emissions of methane (CH4) in thousand tonnes from Statoil-operated activities. CH4 emissions include CH4 from energy and heat production at own plants, flaring (including well testing/well work-over), cold venting, diffuse emissions, and storage and loading of crude oil. Figures at the corporate level from 2009 are verified by external auditors.

2012 performance: Methane emissions increased from 33,100 tonnes in 2011 to 34,400 tonnes in 2012. The new onshore shale activities in Bakken made the most significant single contribution towards this increase (2,600 tonnes associated with flaring).

Key activities in 2012

In 2012, we continued our partnership in the *Global Methane Initiative (GMI)* and the development of a methane strategy, including clear goals for company performance regarding methane emissions.

For more information about flaring reduction initiatives, see "Emissions from flaring" below.

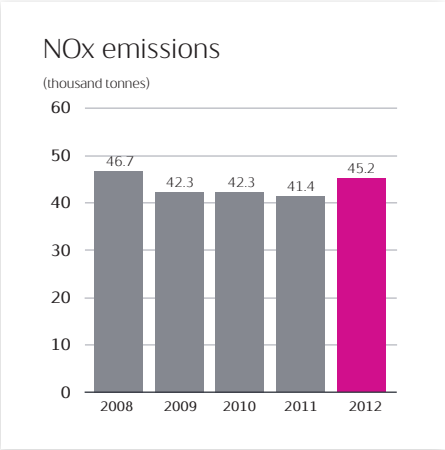
Emissions from flaring

The principle sources of emissions to air in Statoil-operated activities are power generation, flaring and venting. Company-wide carbon dioxide emissions from flaring increased from 1.2 million tonnes in 2011 to 1.4 million tonnes in 2012. The addition of the Bakken shale activities made the most significant single contribution towards this increase.

For our Bakken operations, specific focus has been given to flaring reduction, with the development of the Bakken flaring reduction roadmap in 2012. This will deliver both energy efficiency and flaring reduction improvements (see the *Shale gas and tight oil* case study).

Key activities in 2012:

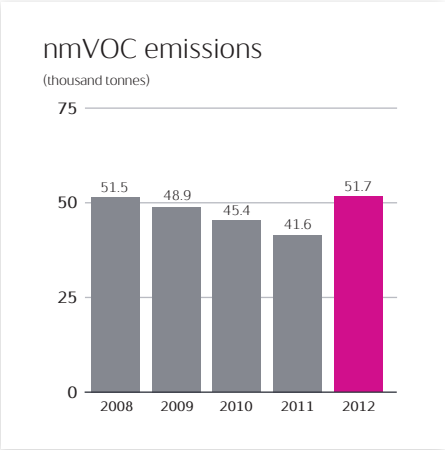
- *Flaring intensity target:* The establishment in 2012 of a maximum flaring intensity target of 2 tonnes of gas flared per 1000 tonnes of hydrocarbon produced (barrel of oil equivalent). The flaring target is based on the operational control principle. We will in the future report annually on our performance against this target. We are currently meeting our flaring target, but as the company expands internationally we expect it to be challenging to maintain a low flaring level.
- *The Bakken flaring reduction roadmap:* Measures implemented in our Bakken asset (see the *Shale gas and tight oil* case study).
- *The World Bank Global Gas Flaring Reduction (GGFR) initiative*: Continued participation as a funding partner.



NOx emissions

Definition: Total emissions of nitrogen oxides (NOx) in thousand tonnes from Statoil-operated activities. Nitrogen oxide emissions include nitrogen oxides from energy and heat production at our own plants, the transportation of products, flaring (included well testing/well work-over) and treatment plants.

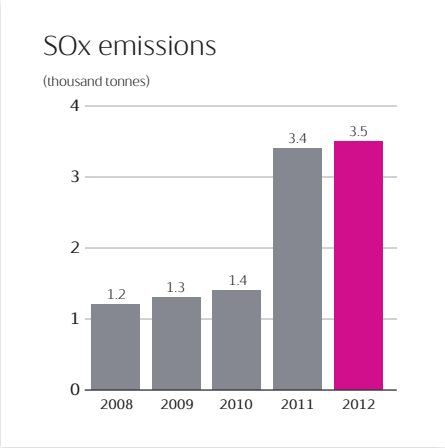
2012 performance: NOx emissions increased from 41,400 tonnes in 2011 to 45,200 tonnes in 2012. This increase was largely due to the use of diesel in our newly acquired Bakken shale facilities.



Non-methane volatile organic compounds (nmVOC)

Definition: Total quantity of non-methane volatile organic compounds (nmVOC) in thousand tonnes released to the atmosphere from Statoil-operated activities. Includes emissions of nmVOC from energy and heat production, transportation of products, flaring (including well testing/well work-over), cold venting, diffuse emission sources, storage and loading of crude oil and products, along with nmVOC recovery plant rest emissions. Figures at the corporate level from 2011 are verified by external auditors.

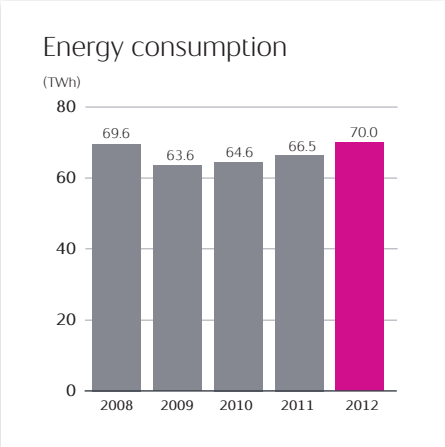
2012 performance: Emissions of nmVOC increased from 41,600 tonnes in 2011 to 51,700 tonnes in 2012. Bakken accounts for the most significant contribution towards this increase (8,500 tonnes). The remaining emission increases are associated with our manufacturing and processing facilities.



SOx emissions

Definition: Total volume of sulphur oxides (SOx) in thousand tonnes released to the atmosphere from Statoil-operated activities. Includes emissions of SOx from energy and heat production and flaring (including well testing/well work-over). Figures at corporate level from 2011 are verified by external auditors.

2012 performance: Emissions of sulphur oxides showed a slight increase from 3,400 tonnes in 2011 to 3,500 tonnes in 2012, due the addition of the new onshore shale activities in the US (Bakken) and higher production activities at the Peregrino field in Brazil. The main reason for the stepwise increase in SOx emissions from 2010 relates to the addition of Peregrino, where diesel is used as an energy source. Statoil achieved SOx emissions decreases across several of our other assets, the most significant of which is from our manufacturing and processing facility in Denmark (Kalundborg).



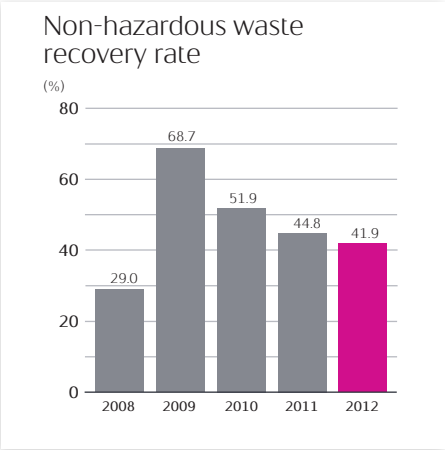
Energy consumption

Definition: Total energy consumption in TWh for Statoil-operated activities. Energy consumption includes energy from power and heat production based on combustion, unused energy from flaring (including well testing/well work-over and venting), energy sold/delivered to third parties and gross energy (heat and electricity) imported from contractors.

2012 performance: Total energy consumption increased from 66.5 TWh in 2011 to 70 TWh in 2012. Energy consumption increased across all business areas. The most significant contributions were from the addition of Bakken and increases related to production at the NCS.

Key activities in 2012:

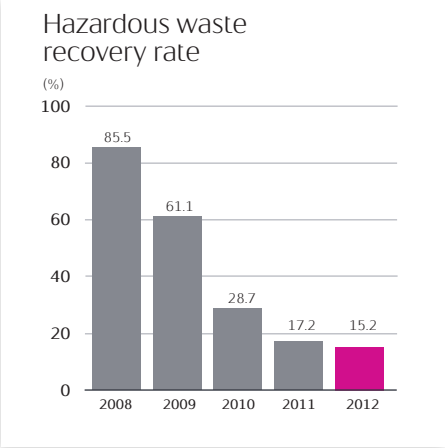
In 2012, we were engaged in energy efficiency initiatives in our operations and focus on energy-efficient transportation and shipping, as described under CO2 emissions.



Non-hazardous waste recovery

Definition: The recovery rate for non-hazardous waste comprises non-hazardous waste from Statoil-operated activities and represents the amount of non-hazardous waste for recovery as a proportion of the total quantity of non-hazardous waste. The quantity of non-hazardous waste for recovery is the total quantity of non-hazardous waste from the plant's operations that has been delivered for reuse, recycled or incinerated with energy recovery.

2012 performance: The non-hazardous waste recovery rate decreased from 44.8% in 2011 to 41.9% in 2012. Waste generated at the Bakken facility is not included in the 2012 waste recovery figures.



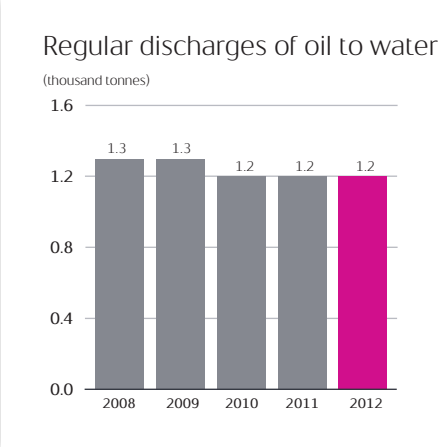
Hazardous waste recovery

Definition: The hazardous waste recovery rate comprises hazardous waste from Statoil-operated activities and represents the amount of hazardous waste for recovery as a proportion of the total quantity of hazardous waste. The quantity of hazardous waste for recovery is the total quantity of hazardous waste from the plant's operations that has been delivered for reuse, recycled or incinerated with energy recovery (the total amount of hazardous waste, excluding hazardous waste, sent to an approved deposition facility). The figures at the corporate level have been verified by external auditors since 2009.

2012 performance: The hazardous waste recovery rate has decreased from 17.2% in 2011 to 15.2% in 2012. The overall reduction in the recovery rate over the past five years is a consequence of Statoil's decision to re-classify the discharge to sea of treated water from onshore processing of hazardous wastes as disposal rather than recovery. Waste generated at our Bakken facility is not included in 2012 waste recovery figures.

Oil-field waste

The Bakken operations generated approximately 250,000 tonnes of so-called non-hazardous oil field waste (NOW) in 2012. [1] This represented approximately 48% of the total combined volume of hazardous waste and non-hazardous waste generated by the company in 2012 and thereby contributed to a significant increase in total waste volumes.



Discharges of oil to water

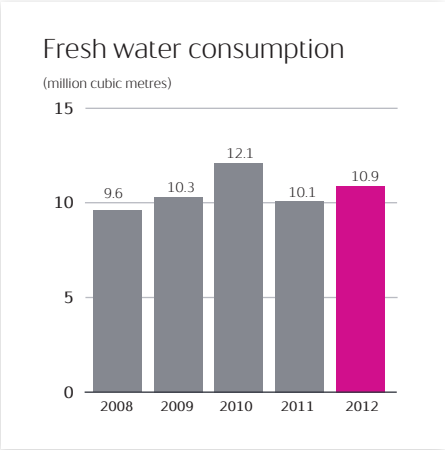
Definition: Regular discharges of oil to water in thousand tonnes represent the total amount of oil via regulated or controlled discharges to water environment (both fresh water recipients and sea) from Statoil-operated activities. [2]

2012 performance: The amount of regular discharges of oil to water remained at a stable level and was the same in 2012 as in 2011 (1,200 tonnes).

The principle source of discharges of oil to water is the residual oil in produced water discharged to sea from our offshore installations on the NCS. This makes up approximately 99% of the total volume discharged.

Key activities in 2012:

We have an ongoing R&D programme focused on reducing the volume of residual oil in our produced water discharges (see the *HSE and climate* article).



Fresh water consumption

Definition: The total consumption of fresh water - including water from public installations, wells (included reservoirs), lakes, streams, rivers and fresh water that is bought - from Statoil-operated activities in million cubic metres. Fresh water produced from salt water on facilities/installations is not included. [2]

2012 performance: Overall fresh water consumption increased from 10.1 million cubic metres in 2011 to 10.9 million cubic metres in 2012.

Our manufacturing and processing operations in Denmark and Norway represent the most significant contributor to our overall fresh water consumption, representing approximately 70% of the total corporate-wide fresh water consumption during 2012. The fresh water consumption target level for these operations has remained stable over the past five years. A target has been set to not exceed the current level of consumption. This target has been set based on the understanding that fresh water resources are abundant where these facilities are located.

Our onshore operations in the US and Canada together represent the second-most significant contributor to our overall fresh water consumption. The addition of our shale operations in Bakken contributed an additional approximately 1.6 million cubic metres of fresh water consumption in 2012. The associated fracking activities generate the greatest fresh water demand.

For our oil sands operations, the total fresh water consumption for 2012 was approximately 0.49 million cubic metres. Approximately 74% of this fresh water (0.36 million cubic metres) was used in the bitumen production at our Leismer facility. The remaining fresh water was used in our drilling activities and in the camp. The fresh water consumption at the Leismer facility was reduced by approximately 11% compared to 2011. Further information about our oil sands operations will be available in the *2012 Oil Sands Report*.

Key activities in 2012:

- Oil sands operations: We continued our R&D programme aimed at delivering on our long-term target of a 45% reduction in water intensity over 10 years (from 2010). Water intensity is defined as the barrels of fresh water used per barrel of bitumen produced. This programme includes installations of equipment that recover more process water - thereby reducing the fresh water requirements. Performance improvements achieved in 2012 that contributed to water intensity reduction included increased produced water recycling efficiency (rising from 80% in 2011 to 87% in 2012). See the *HSE and climate* article and the *2012 Oil Sands Report* for more information.
- Shale activities: We initiated an evaluation of water treatment and re-use technologies that can minimise the amount of water used in our hydraulic fracturing activities. This has included research into substituting fresh water with produced water and the development of gel systems (see the *HSE and climate* article).
- We monitored the water use risk of the areas we operated using the Global Water Tool.

Protecting the environment - biodiversity and ecosystem services

We are concerned with valuing and protecting biodiversity and protecting ecosystem services through responsible sustainable use of land and natural resources.

In 2012, we conducted a 3D seismic survey in our offshore license area bordering the Quirimbas National Park in Mozambique. No other Statoil-operated activities during 2012 were carried out inside or bordering on protected areas or locations listed in accordance with the International Conservation Union's (IUCN) classification system.

We actively use environmental monitoring in our efforts to protect the environment. Key monitoring activities undertaken during 2012 for our offshore activities on the NCS and Brazil included:

- The piloting of an integrated environmental monitoring concept that has been developed in collaboration with Kongsberg Maritime, Kongsberg Oil and Gas Technologies, IBM and Det Norske Veritas
- Undertaking sensor-based monitoring of cold-water coral structures at our Hyme field during the drilling of production wells
- The continuation of the monitoring of calcareous habitats at out Peregrino field off the coast of Brazil
- The installation of the infrastructure for a permanent ocean observatory to be installed in 2013. This will monitor natural marine processes off the coast of the northern Norway region of Vesterålen

During 2012 we continued with our study of the Kittiwake breeding colony (a Norwegian Red List critically endangered species) established at our Snøhvit liquefied natural gas (LNG) plant at Melkøya in northern Norway. We contracted the Norwegian Institute of Nature Research to undertake this study.

Statoil received two awards in 2012 for supporting pioneering research on the woodland caribou, designated as "endangered" under Canada's Species at Risk Act and Alberta's Wildlife Act (see the *Canadian Oil Sands* article).

We also continued with our site reclamation activities for our Canadian oil sands operations. This has included the planting of 267,000 seedlings. Statoil also continued its participation in the Oil Sands Leadership Initiative's (OSLI) Land Stewardship Working Group (see the *2012 Oil Sands Report*).

[1] The waste generated from Bakken (approximately 250,000 tonnes) has been excluded from the waste recovery estimates. This is due to both the uncertainty of the recovery rates for this waste stream and to misalignment between the legal classification of these wastes as non-hazardous oil field wastes, and the internal Statoil classification of hazardous and non-hazardous wastes, respectively. We aim to resolve these issues in time for our 2013 reporting.
[2] Figures at the corporate level from 2011 are verified by external auditors.

1.2.4.3 Health and working environment

Statoil genuinely strives to ensure a healthy working environment for its people.

Risk-based health surveillance
Improving the process of risk-based health surveillance in Statoil has been a cornerstone for improving management of risk for exposed groups in 2012. This involved the establishment of a risk-based matrix for group health surveillance to identify risk-exposed individuals that includes precise criteria for inclusion. Securing a well-functioning practice for risk-based health surveillance is a prerequisite for both targeting risk-mitigating actions at group level and towards specific exposures at our facilities.

Work-related illness
Systematic surveillance is also a key mechanism for the identification of work-related illness cases. Work-related illness (WRI) is a key indicator used in Statoil to inform health and working environment aspects of HSE performance management. We analyse and follow up WRI cases registered for our employees. A work-related illness is an illness that is or may be caused by the work or the conditions at the workplace.

Analysis of the data collated by Statoil for work-related illness indicates that the two most significant case types are hearing reduction due to noise exposure and musculo-skeletal disorders. This analysis has been used to inform the focus of activities for 2012.

For musculo-skeletal disorders the risk assessment tool ErgoRisk has been used to assess potentially harmful manual operations at selected locations in 2012, and the follow-up of workplace ergonomics has also been undertaken at selected office locations.

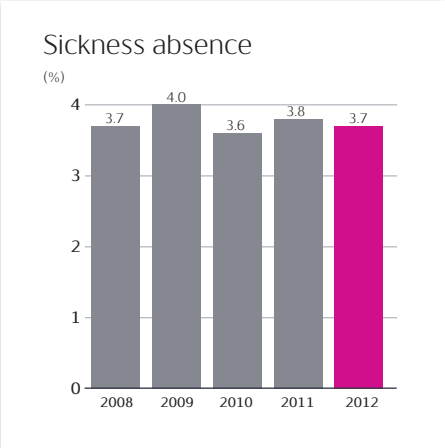
Noise
In 2012, the focus on noise issues in design in construction and production was strengthened within the company. This will continue to be a key focus area in 2013, when attention will also be given to collaboration with contractors to reduce the noise burden. Specific activities in 2012 addressing the reduction of the risk of noise-induced hearing damage included the continuation of ongoing projects to identify, assess and manage noise at Statoil's offshore installations on the Norwegian continental shelf (NCS).

Statoil continued to make the experiences, tools and knowledge we have developed available to the oil and gas industry via the tripartite Noise Project, initiated by the Norwegian Petroleum Safety Authority (PSA) and the Safety Forum and chaired by the Norwegian Oil and Gas Association. In particular, a noise calculator developed in Statoil was made available to the oil and gas industry in 2012. Statoil also continued the funding of two noise research projects on hearing protection and noise exposure.

Chemical exposure
Activities in 2012 related to the management of health risks from chemical exposure included the establishment of a register for individuals exposed to carcinoogenic, mutagenic and reprotoxic (CRM) chemicals. This was undertaken in collaboration with the Norwegian Labour Inspection Authority. A campaign towards contractors to increase knowledge of chemical risk management process was also run during 2012.

Psychosocial working environment
The psychosocial working environment continued to be a key focus area in 2012. Workload and psychosocial risks were followed up across the company, and the broad implementation of a psychosocial risk indicator (PRI) was undertaken. The PRI provides information that enables Statoil to identify and implement actions to prevent psychosocial issues.

Additional programmes and workshops were developed with the objective of training management teams in how to handle employee workload. Statoil continued our participation in 2012 in a project funded by the European Commission to develop a framework for psychosocial risk management at the workplace (PRIMA-EF). We also continued sharing our internal experiences with the World Health Organisation (WHO), in connection with the WHO initiative to develop a global framework for healthy workplaces.



Sickness absence
Definition: The total number of sickness absence hours as a percentage of planned working hours (Statoil ASA employees) (1).
Developments: Sickness absence decreased from 3.8% in 2011 to 3.7% in 2012 (1).

(1) In the fourth-quarter report, Statoil reported a sickness absence of 3.6%. Due to delayed registration within the 2012 sickness absense cases, the figure has been amended to 3.7%.

1.3 Case studies

The sustainability case studies covered in this report include shale gas and tight oil, Arctic exploration, East Africa, Canadian oil sands, and offshore wind.

1.3.1 Shale gas and tight oil

The shale gas and tight oil "revolution" continues to redefine the global energy outlook. Statoil strives to develop these transformative hydrocarbon resources safely and responsibly.

In 2012, Statoil advanced from actively preparing for an operatorship in shale gas and tight oil to actually operating tight oil and gas activities on the Bakken and Three Forks formations in the Williston Basin of western North Dakota and eastern Montana. [1] [2]

We will move towards operatorship of our shared shale gas and gas liquids assets with Canadian joint venture partner Talisman on the Eagle Ford formation in south Texas in 2013. We have an active partnership with Chesapeake Energy in the Marcellus formation in several states in the United States' north-east. Late in 2012 we acquired Marcellus acreage in Ohio and West Virginia that Statoil will operate.

Growing global
While the US initially led the charge to develop and produce shale and other tight rock formations, many other countries are now actively working to unlock their own shale gas and tight oil resources.

In 2012, Statoil farmed into its first shale exploration asset outside the US, joining Calgary-based Petrofrontier to explore for shale hydrocarbons in the Northern Territory of central Australia. In October 2012, we signed a deal with German energy company Wintershall that includes 49% stakes in two onshore shale exploration licences in Germany. [3]

Licence to operate
The development of shale and other tight rock formations resources depends on "whether governments and industry can develop and apply rules that effectively earn the industry a 'social licence to operate' within each jurisdiction, so satisfying already clamorous public concerns about the related environmental and social impacts", the International Energy Agency (IEA) states in its 2012 World Energy Outlook (WEO). [4]

Statoil is committed to developing these resources in a transparent and responsible manner.

First and foremost, we follow all requirements for reporting to the appropriate authorities wherever we operate. We believe that the public interest is best served by promoting transparency.

A set of operating commitments that describe how we strive to minimize our footprint is expected to be published in April 2013.

We voluntarily support the disclosure of hydraulic fracturing fluid additives in th US through the Ground Water Protection Council and Interstate Oil and Gas Compact Commission's disclosure website (www.fracfocus.org).[5] We are establishing baseline knowledge of water quality prior to operating (see more in the *Responsible water use* section below).

We take extra precautions at our well sites by building double berms around the perimeters to contain potential spills.

Abundantly clear

The upsides to developing and producing shale gas and tight oil remain clear. Reserves are abundant and have the potential to be a significant energy source for many decades to come.

The recent rebound in US oil and gas production, driven by upstream technologies that are unlocking light tight oil and shale gas resources, prompted the IEA to project that the US will become the world's largest global oil producer by around 2020. [6]

Global natural gas resources are now estimated by the IEA to total 790 trillion cubic metres (tcm), or more than 230 years of production at current rates. "Unconventional gas accounts for close to half of the increase in global gas production between 2011 and 2035, its share of production rising from 16% to about 26%," according to the 2012 WEO report (page 141).

"Output in North America is projected to continue to expand, thanks mainly to shale gas in the US. Total US gas production grows from an estimated 650 billion cubic metres (bcm) in 2011 to 800 bcm in 2035, putting the US ahead of Russia as the largest gas producer in the world between 2015 and the end of the 2020s," the report states. [7]

Shale gas has had a positive impact on US CO2 emissions, as natural gas has replaced coal in power production.

Tight oil boom

Tight oil has become a major success story. In North Dakota, daily production reached a milestone of 660,000 barrels of oil equivalent per day (boepd) in June 2012. Output may hit 1 million boepd by 2015, according to Lynn Helms, director of the North Dakota Department of Mineral Resources [8]. Bakken accounts for 90% of the state's total oil production. [9]

Statoil operates more than 200 wells in the Bakken and produced 37,500 boepd during the third quarter 2012 - up more than 100% since 2011. Due to the oil boom, North Dakota has the lowest unemployment rate in the US, at about 3%. [10] There are many job openings in and around Bakken that cannot be filled. [11]

But as shale and tight oil and gas output rise, so do the challenges related to rapid growth. Public scrutiny of shale gas and tight oil development remains intense, and it has expanded from a focus on the well and completion process known as hydraulic fracturing to include the social and economic impacts of rapid industrialisation. "Full transparency, measuring and monitoring of environmental impacts and engagement with local communities are critical to addressing public concerns," states the WEO 2012 report (page 145).

Responsible water use

Competition for water resources and responsible water management practices are critical to our future licences to operate, especially as we position ourselves in dry areas like Texas and Australia, or very populated areas like Europe. "The availability of and access to water could become an increasingly serious issue for unconventional gas development," the 2012 WEO report states (page 501).

We are increasingly recycling all water used during Bakken drilling operations. Many shale gas and tight oil operators, including Statoil, are seeking ways to fracture wells and limit the use of water through recycling or an overall reduction in water consumption. We are increasingly recycling all water used during Bakken drilling operations. After being injected into the well, part of the fracturing fluid will return in the days and weeks that follow. The amount of fluid that returns to the surface depends on geological characteristics. Typically between 15%-40% of the fluid is returned. The rest of the water injected as part of the hydraulic fracturing process remains in the shale formation and may be produced over a long period of time. Returned (flowback/produced) water is returned for the entire production lifetime of the well.

Statoil Research & Development in Norway is currently running projects that focus on recycling flow-back water from the hydraulic fracturing process to reduce our water consumption. We are also exploring the use of low-quality water and produced water instead of fresh water. We are establishing baseline knowledge of water quality prior to operating.

Getting it right

The chemistry of the hydraulic fracturing fluids and its compatibility with reservoir conditions is the key to recycling.

"We are working on a number of relevant issues together with the Shale Water Research Centre, associated with Rice University in Houston. By understanding precisely which critical chemical compounds are in the water, we aim to optimise flow-back water and other salt water treatment for re-use," says Karl Johnny Hersvik, senior vice president and head of R&D in Statoil's Technology, Projects and Drilling business area.

To help improve the identification of water-related risks and responsible water management, Statoil participated in the development of two water tools in 2011. The Global Water Tool, developed for high-level portfolio analysis and reporting, was adapted for the oil and gas industry during a project led by the global oil and gas industry association for environmental and social issues (IPIECA) [12], and the Local Water Tool was developed by the Global

Environmental Management Initiative (GEMI) [13] to perform site-specific water risk assessments. Both tools were used by Statoil in 2012 in connection with the evaluation of new business opportunities.

A new department at Statoil's R&D facilities in Porsgrunn, Norway, and Houston, Texas in the US is established to help find new water-related solutions. Extensive work is also being carried out at Statoil's corporate level to operationalise water management. The main focus is on clarifying our policy and governing documents regarding freshwater use and water resource depletion.

On the ground
Surface disturbances like increased vehicle traffic and construction are an inevitable part of industrial development. Statoil strives for solutions and works hard to reduce the impact of our activities on the surrounding landscape and communities. In Bakken, for example, we continue to build pipeline gathering systems to transport oil, gas and water to and from well sites, dramatically reducing the need for tank trucks.

Typically, each individual tight oil and shale gas well requires as many as 4,000 to 5,000 truck loads during its lifetime. That means congested roads, traffic safety issues and a lot of wear and tear on the roads. In the period 2009-2012, we have built 674 miles of of gathering lines and pipelines serving our tight oil and shale gas operations in North Dakota and Montana. This reduces truck traffic.

Multi-well sites
Statoil is upgrading its rig fleet to modern "walking" rigs that can drill several wells on one site without having to erect and disassemble the rig for each well, thus cutting truck traffic.

The new-build rigs are inherently safer and more economical. They have better handling systems for both BOP (blowout preventers) and pipes than the conventional rigs - including larger and more efficient pumps and moving systems that allow for multiple wells to be efficiently drilled on a single pad. Moving the rigs is safer and more economical, because less equipment needs to be handled on the rig moves.

Reducing flaring
We are reducing the flaring of associated gas and cutting CO2 and CH4 emissions at our tight oil and gas operations in Bakken by capturing and selling the gas, as far as practical, to regional distribution companies via the "ONEOK" pipeline gathering system. ONEOK worked on a project in 2012 to expand capacity by constructing new gas plants to accommodate up to 300 million standard cubic feet per day (MMscfd).

We expect that reductions in flaring will be achieved through our investments in extending the pipeline networks in our production areas from the Bakken and Eagle Ford formations.

Another key initiative currently being implemented to reduce flaring is the Bakken Flaring Reduction Roadmap. In 2012, this included measures such as the installation of vapour recovery systems (five have already been installed, and 33 have been ordered), the use of bi-fuel systems that allow for the use of lease gas to fuel rigs and fracturing fleets (six rigs already have such systems, and four were in use in 2012), the use of gas for pressure support for oil production from wells and the operation of a turbine generator that uses lease gas to generate and sell electricity to the grid. Moreover, a pilot mobile NGL recovery unit which captures liquids while flaring residue gas is underway.

Good neighbours
Statoil wants to be a catalyst for positive social and economic development and to leave a lasting legacy in the communities where we operate. Many of the activities supporting shale gas and tight oil development and production take place at the local level. Statoil recognises that each community and setting where we operate has unique cultural, environmental, and economic characteristics. We seek to engage in open dialogue with the communities in and around where we operate.

We want to ensure that our presence has minimal negative impact. Meeting with, listening and responding to the concerns of local residents, representatives and state officials is an integral part of our approach to promoting sustainable shale gas and tight oil operatorships.

In western North Dakota, Statoil recently joined forces with five other operators and service companies to form "Energy Outreach Williston". This joint partnership will focus on three areas of contribution - providing financial support for community projects that may be experiencing funding gaps; engaging in and with the boards of local organisations serving the Williston community; and initiating, responding to and engaging in volunteer opportunities.

Statoil also helped to initiate "trash pick-up" days in Williston, North Dakota, which recently brought together 430 volunteers from various energy companies to pick up roadside trash resulting from the present oil boom in the area.[14]

[1] Responsible development of shale resources
(www.statoil.com/en/OurOperations/ExplorationProd/ShaleGas/Pages/ResponsibleDevelopment2.aspx)

[2] Our shale activities
(*www.statoil.com/en/OurOperations/ExplorationProd/ShaleGas/Pages/default.aspx*)

[3] "Statoil Seeking Shale Oil Opportunities in Australia, China" - Bloomberg, 21 September 2012

(www.bloomberg.com/news/2012-09-21/statoil-seeking-shale-oil-opportunities-in-australia-china.html)

[4] World Energy Outlook 2012
(www.worldenergyoutlook.org)

[5] FracFocus Chemical Disclosure Registry
(www.fracfocus.org)

[6] World Energy Outlook 2012 executive summary
(www.iea.org/publications/freepublications/publication/English.pdf)

[7] World Energy Outlook quotes
(www.worldenergyoutlook.org/pressmedia/quotes)

[8] "Regulator says ND's oil production could double" - Associated Press, 23 May 2012
(finance.yahoo.com/news/regulator-says-nds-oil-production-231953740.html)

[9] "North Dakota crude oil production continues to rise" - US Energy Information Administration, Today in Energy, 15 August 2012
(www.eia.gov/todayinenergy/detail.cfm?id=7550)

[10] United States Department of Labor Local Area Unemployment Statistics
(www.bls.gov/web/laus/laumstrk.htm)

[11] "Where the Jobs Are" - New York Times, 26 July 2012
(www.nytimes.com/2012/07/26/opinion/collins-where-the-jobs-are.html)

[12] The IPIECA Global Water Tool for Oil and Gas
(www.ipieca.org/news/20120322/ipieca-aims-80-uptake-global-water-tool-oil-and-gas-2012)

[13] Global Environmental Management Initiative
(www.gemi.org/gemihome.aspx)

[14] "Teaming up and cleaning up" - Williston Herald, 6 October 2012
(www.willistonherald.com/news/teaming-up-and-cleaning-up/article_c167a858-100a-11e2-b01c-0019bb2963f4.html)

1.3.2 Arctic exploration

Statoil strives to explore, develop and produce oil and gas resources in harsh environments such as the Far North and the Arctic with minimal negative impact on the natural surroundings and stakeholders.

Arctic activities
Statoil's operations in Norwegian waters have gradually migrated north from the North Sea and Norwegian Sea to beyond the Polar Circle. We operate the producing Snøhvit gas field in the Barents Sea and the world's northernmost liquid natural gas (LNG) facility in northern Norway.

We are partners in the producing Terra Nova and Hibernia fields, and the Hebron and Hibernia Southern Extension field developments, all off the coast of eastern Canada. We have 16 operated leases in the Chukchi Sea off north-west Alaska, and are a partner with ConocoPhillips in 50 leases there, and we have three exploration licences in Baffin Bay off the coast of Greenland. We have made discoveries in the Havis and Skrugard fields off the coast of northern Norway, and in the Mizzen field off the coast of Newfoundland, Canada. In addition, we signed a major exploration deal with the Russian company Rosneft that covers four licences in the Russian sector of the Barents Sea and the Okhotsk Sea.

In November 2012, Rosneft and Statoil signed a "Declaration on Protection of the Environment and Biodiversity for Oil and Gas Exploration and Development on the Russian Arctic Continental Shelf." The pact reaffirms our commitment to sustainable development, including minimising the impact of oil and gas activities on indigenous populations and climate change.

Step by step
Statoil pursues a sustainable step-wise approach to its Arctic endeavours. "The Arctic is highly diverse with a multitude of different challenges. Consequently, we have divided our offshore Arctic approach into three separate categories: the workable, the stretch and the extreme," says Rúni M. Hansen, vice president of Statoil's Arctic unit and a native of the Faroe Islands.

"The workable category covers completely ice-free areas. The stretch category is seasonally ice free, like the Beaufort Sea in Canada and western Greenland, where some level of new technological development is needed, but the challenges are entirely within our capabilities. The extreme category is a distant future option. It is the part of the Arctic covered in ice year round."

Statoil is sensitive to stakeholder concerns about the Arctic. "We strongly believe that dialogue between local people, the authorities and the industry is vital to our success in the Arctic. The foundations we lay today are for activities many decades in the future. We are taking it step by step, both technically and operationally," says Hansen.

Dedicated R&D

Statoil is conducting several long-term industrial research projects with universities and institutions that focus on developing innovative technologies for the safe and sustainable exploration and production of oil and gas in the Far North. These include the Sustainable Arctic Marine and Coastal Technology (SAMCoT) project and the Arctic Materials project. The eight-year SAMCoT project, established in 2011, is the basis for developing an environmentally adapted coastal infrastructure. The five-year Arctic Materials project was started in 2008 to establish criteria and solutions for the safe and cost-effective application of materials for hydrocarbon exploration and production in Arctic regions.

Statoil is steadily developing new tools relevant for operations in the far Far North and Arctic region, such as simulator-based training courses for navigation in ice and ice management. Another focus area is the design of durable structures and vessels for Arctic environments, with the emphasis on reliable prediction of ice loads on both fixed and moored offshore structures.

Arctic ecology

Ecological balance is vital to sustainability. The six-year Statoil ARCTOS Arctic Research Programme, which ended in 2011, has elevated basic knowledge about Arctic ecosystems, including sensitivity to petroleum components.

A new extensive ecological research programme was initiated by Statoil in 2012. Its goal is to increase knowledge about the physics and ecology of the Lofoten/Vesterålen area. This can help to improve ecosystem understanding and provide support for future impact assessment processes in harsh environments such as the Far North and Arctic areas.

In 2011, Statoil helped to establish the ecosystem-based model (Symbioses) that calculates potential impacts of oil spills on zooplankton and fish populations in northern Norway. Results from the ecological research programme are being synthesised and used to create a Symbioses project model.

Statoil respects the presence of marine mammals in their natural habitat and follows precautionary rules and regulations to minimise potential negative effects of our activities, especially during seismic data acquisition. We always establish a safety zone around the seismic vessel and stop data acquisition if a marine mammal enters the zone.

To study the behavioural reactions of humpback whales to sound from air guns used for seismic exploration, Statoil and other oil companies have funded a four-year study in Australia that will continue in 2013 and 2014.

Local communities and traditional ecological knowledge

To gain a better understanding of the impact of noise on marine mammals, we have invited local inhabitants of the Chukchi Sea communities in Alaska into the process.

"Subsistence hunting and the environment are very important to the local Inupiat people. As part of preparing our impact risk assessment, we interview locals and incorporate their knowledge about the effect of noise on marine mammals from motorboats, footsteps on ice, big ships, the whole range," says marine biologist Jürgen Weissenberger, who heads up Statoil's project to study the impact of seismic noise on marine mammals in the region.

Oil spill response

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

To strengthen the oil and gas industry's oil spill response capabilities in the Arctic, a key stakeholder concern, Statoil participated in managing a substantial research programme that ended in 2010. Conducted together with eight other oil companies, it remains the world's largest endeavour ever dedicated to strengthening oil spill response in ice. We are now embarking on a follow-up project for the next five years with industry partners.

1.3.3 East Africa

Statoil's drive to develop its international business in an optimal sustainable way is now focused on East Africa.

Creating in-country value
East Africa is quickly evolving into one of the world's exploration hotspots - with promising hydrocarbon prospects and discoveries off the coast of Kenya, Madagascar, Mozambique and Tanzania. Statoil is at the centre of this activity. We are currently the operator of large gas finds off the coast of Tanzania and we plan to drill further exploration wells off the coast of Tanzania and Mozambique.

Viable infrastructure
Because the oil and gas industry is still relatively new to East Africa, infrastructure development needs to go hand in hand with production. We are in a strong position to share our experience of building a viable infrastructure in Norway. [1]

Gas development can transform East African economies by providing much-needed domestic energy and new revenue streams. If managed effectively, the development of gas can stimulate other economic sectors such as support services, and generate new direct and indirect employment opportunities.

Natural gas is also the cleanest fossil fuel. It can both increase economic standards of living and limit CO2 emissions, especially compared with coal-fired power production.

Building foundations
New laws and regulations for oil companies to operate under, plus frameworks for managing new hydrocarbon revenue streams, are currently being drafted in a number of countries. They seek to strike a good balance between receiving a fair share of their sovereign resources and remaining an attractive investment destination.

We can share our experience with East African countries to help build strong and transparent institutions based on the Norwegian model - monitoring incoming oil and gas revenues, determining where they go and ensuring that they are channelled into building strong and sustainable societies.

After discovering oil and gas deposits in the North Sea in the late 1960s, Norway established state-owned Statoil (partially privatised in 2001), as well as a highly transparent and functional administrative system that separates policy, regulatory and commercial functions [2]. The surplus from Norway's hydrocarbon revenues, not spent on the annual national budget, is secured in the "Government Pension Fund", one of the largest pension funds in the world [3]. As of 30 September 2012, its market value was NOK 3.7 trillion [4].

We can share how the model worked best for Norway and the lessons learned, but it is up to the host country authorities to decide what works best for them.

Challenging transformation
The transformation of East African countries into natural gas economies and the equitable sharing of the benefits present opportunities, but also challenges, especially considering the need for timely and prudent decision-making by authorities with limited oil and gas experience and the risk of increased corruption.

In addition, managing unrealistic expectations is a responsibility shared by both host governments and companies.

Managing the expectations of the inhabitants of local communities is one of our greatest challenges in East Africa. Local people justifiably want the benefits from industrial development, but they may not be aware of the long lead times that apply to oil and gas industry projects and could become impatient. It is necessary to be transparent about the life cycle of oil and gas projects.

Proven record
Statoil has a proven track record of contributing to local communities in other African countries to prepare for oil and gas development and production. In Angola, where we have been present for nearly two decades and hold two exploration operatorships, we have a legacy of supporting education, providing relevant vocational training, seconding our people to the national oil company Sonangol, and investing in local communities. We are preparing for similar activities in East Africa.

In Tanzania and Mozambique, Statoil has already launched programmes to help young Tanzanians and Mozambicans get a higher education in petroleum sciences. The project resembles our former Management & Technology Transfer programme in Angola, which helped dozens of young Angolans to earn master degrees and proceed to prosperous careers in the country's oil industry [5].

We presently support Angola's educational infrastructure by active participation in the Angola Norway Higher Education Initiative (ANHEI), a collaboration between University Agostinho Neto (UAN) in Luanda and the Norwegian University of Science and Technology (NTNU) in Trondheim. Through this initiative, selected local college students are trained to become university-level teachers. The study programme includes a year of study in Norway. Similar initiatives have recently been started in Mozambique and Tanzania, focusing on the establishment of master degree study programmes. The goal is to increase the respective countries' capacity and expertise in geoscience and petroleum engineering.

Good social roles
Good social performance is a powerful risk management tool that creates value for both the company and local communities affected by our activities.

In the Indian Ocean port city of Mtwara in Tanzania, our operations are directly impacting some 200 locals in connection with our offshore exploration activities. Many more jobs will be created if plans proceed to build onshore liquid natural gas (LNG) facilities in Tanzania [6].

"Statoil's CSR approach is to enable business and/or to mitigate risk," says Statoil CSR head Baiba Rubesa. "Our scope has widened from a mainly social investment focus to a step up in addressing risks related to human rights, labour standards, resettlement, indigenous peoples and local content strategies based on successful programmes in other host countries."

In Tanzania, Statoil expects that up to 10,000 people could be employed through our contractors during the planning, construction and operation of a potential onshore liquid natural gas facility.

Creating opportunities
Social investment projects still play a vital role in cultivating trust in local communities, especially during the early stages of development projects. In Mozambique, for example, we initiated and helped carry out a project between 2009 and 2011 with Fontes, a non-governmental organisation, to provide access to a consistent supply of clean water for the 5,000 inhabitants of Quissanga. Quissanga is one of the onshore communities close to the offshore oil and gas exploration blocks 2 and 5, of which Statoil is operator [7].

"We have learned a great deal from our experiences in other countries, for example from our work with fishermen in Norway, Brazil and Indonesia, and know what we need to do to appropriately avoid or minimise the negative impacts of our activities. We don't want to take opportunities away - we want to create them. We want to successfully co-exist with local communities," Rubesa explains. "Social investment is an essential part of stakeholder management. While the contribution to profit isn't always obvious, there are clear examples showing that it works."

[1] Norwegian Petroleum Directorate - "Facts 2012 - the Norwegian petroleum sector", chapter 3
(www.npd.no/en/Publications/Facts/Facts-2012/Chapter-3/)

[2] Exporting the ''Norwegian Model'': The effect of administrative design on oil sector performance
(iis-db.stanford.edu/pubs/23264/Thurber_Hults_Heller_Norwegian_Model_Energy_Policy_2011.pdf)

[3] "Norway provides model on how to manage oil revenue" - New York Times, 17 October 2007
(www.nytimes.com/2007/10/17/business/worldbusiness/17iht-fund.4.7931109.html)

[4] Norwegian Government Pension Fund Global market value
(www.nbim.no/en/Investments/Market-Value)

[5] "Reaping the benefits" - Sonangol's Universo Magazine, Winter 2005, page 8 of PDF
(www.sonangol.co.ao/sonangolEP/publications/sonangolUniverso/SU8.pdf)

[6] "Mtwara gas project still on course" - The East African, 23 February 2013
(www.theeastafrican.co.ke/business/Mtwara-gas-project-still-on-course/-/2560/1702506/-/item/1/-/i55kd2/-/index.html)

[7] Statoil in Mozambique: Quissanga
(www.fontes.no/org/index.php?page=moz_index)

1.3.4 Canadian oil sands

Statoil Canada's oil sands in-situ operations advanced plans in 2012 to increase production and reduce environmental impacts, while investing in local workforce and business development.

The Leismer Demonstration Project, Statoil's first operation in the Alberta oil sands, moved from startup to steady and reliable production in 2012 - its second full year of operation. This resulted in an expected decline in carbon dioxide (CO_2) emissions and fresh water-use intensity in 2012. The Leismer pilot tests a mix of long-term and short-term technology projects on a small scale before moving them to commercial use once proven.

Leismer is awaiting internal and regulatory approval of plans that would double current production levels to a licensed capacity of 40,000 barrels per day (bpd). Pre-project planning and design work is underway for Corner, which also has a licensed capacity of 40,000 bpd. Corner is progressing through internal decision gates and, if approved, will be the second major development on our Kai Kos Dehseh (KKD) leases in north-eastern Alberta.

SAGD technology
The KKD leases contain estimated recoverable resources of more than two billion barrels, with the ability to produce more than 200,000 bpd of bitumen over the next 30 years. KKD bitumen is buried more than 400 metres beneath the earth's surface and is recovered in-situ (underground) using steam-assisted gravity drainage (SAGD) technology. This process involves injecting the reservoir with high-temperature steam to heat the thick bitumen until it is warm enough to flow into a production well and can be brought to the surface.

Safety and sustainability
Safety and sustainability are priority considerations when developing the KKD leases. This approach drives Statoil Canada's oil sands technology plan, which guides the work conducted by technical experts in our operations and by research and development specialists at the Heavy Oil Technology Centre (HOTC). With an annual budget of CAD 30 million and a global employee base of 60, the HOTC has assembled a team dedicated to developing technology solutions that will help Statoil to achieve ambitious environmental objectives for our in-situ developments. These include an ambition to reduce CO2 intensity by 25% by 2020, with a further ambition to develop technologies to reduce CO2 intensity to a total of 40 % by 2025. Another ambition is to reduce water intensity by 45% by 2020.

Sustainability awards
Statoil received two awards in 2012 for supporting pioneering research on the woodland caribou, designated as "endangered" under Canada's Species at Risk Act and Alberta's Wildlife Act. Statoil's Scat Dog Study focused on the health of woodland caribou, providing critical information on diet and predator access that is shaping research projects to limit predator access to caribou and ensuring the propagation of important caribou food sources, such as lichen.

The study earned Statoil the 2012 Canadian Association of Petroleum Producers (CAPP) Responsible Canadian Energy Award for Environmental Performance, and the Alberta Science and Technology Leadership Foundation (ASTech) 2012 Outstanding Achievement in Environmental Technology and Innovation Award.

Statoil Canada also won Statoil ASA's CEO's HSE Award for establishing an innovative training and educational resource called the Local Opportunity Centre (LOC), in Conklin, Alberta, near our Leismer operation. In 2012, more than 1,200 individuals and local contractors used LOC to access training and education programmes that meet industry health, safety and environment standards. While building a contract-ready workforce, LOC gives local individuals, businesses and entrepreneurs with access to economic opportunities in the oil sands.

Community engagement and First Nations consultations
We believe that community sustainability issues and solutions should be identified by the communities themselves, because they best understand their own cultural and social needs. We connect with communities on an ongoing basis through the Local Opportunity Centre, bulletins, our Oil Sands Report as well as our membership of the industry relations groups of First Nations and Métis organisations.

By consulting with local First Nations groups, and community and business leaders, we develop training and employment programmes that encourage and nurture participation in the oil sands industry. We look for ways to support and progress local initiatives that promote health, education and sustainable communities.

Our efforts are focused on select youth initiatives, education, training and employment activities in communities within 30 to 40 kilometres of our operating area, in the Wood Buffalo region south of Conklin, and the counties of Fort McMurray and Lac La Biche. Our work in the community is based on consistent and transparent communications that promote understanding of Statoil's operations in neighbouring communities and provide our staff with knowledge and insight into local needs and aspirations.

Our commitment
Along with the safety and sustainability projects described above, our production growth ambitions demonstrate Statoil Canada's long-term commitment to oil sands development. We believe technological innovation and investing in our local community are the key to responsible development of this resource.

1.3.5 Offshore wind

There are many advantages to wind power. It is plentiful, renewable and produces no greenhouse gas emissions during operation.

Wind power continues to expand rapidly in markets where support regimes and government policies provide incentives for investment. "Global wind power generation is growing dramatically, from 342 TWh (terawatt hours) in 2010 to around 2,680 TWh in 2035, pushing up its share of total electricity generation from 1.6% to 7.3%. Offshore wind capacity is expanding rapidly, from 4 GW (gigawatts) in 2011 to 175 GW by 2035, its deployment being underpinned by government support," according to the International Energy Agency's 2012 World Energy Outlook report (pages 226-227).

Naturally offshore
Statoil's renewable energy strategy focuses on establishing market positions where we have competitive advantages. As the world's largest offshore oil and gas operator, we naturally lean towards offshore wind power.

Sheringham Shoal, located off the Norfolk Coast of south-east England, is Statoil's first full-scale commercial offshore wind development. Owned 50/50 with Norwegian electricity producer Statkraft, through Scira Offshore Energy Ltd., the offshore UK wind farm is part of Statoil's stepwise growth in the renewable energy business. The total investment of the project was approximately 1£ billion (NOK 10 billion) shared together with our partner Statkraft.

Officially opened on 27 September 2012, Sheringham Shoal's first deliveries to the UK power grid began more than a year earlier [1]. The wind farm covers an area of about 35 square kilometres. Its 88 wind turbines each have a capacity of 3.6 megawatts (MW). Annually, the wind farm generates 1.1 Twh annually, enough to power 220,000 British homes. Additionally, the farm provides employment for local communities.

As developers of the Sheringham Shoal offshore wind farm, Statoil encouraged the involvement of local North Norfolk companies in both the construction and longer-term operation and maintenance of the wind farm. The project has created arenas to introduce contractors engaged by Scira to local suppliers, such as the well-attended supplier information days. The project produced a local Suppliers' Directory with the assistance of the North Norfolk Business Forum.

The creation of the new outer harbour, which was planned in cooperation with Wells-next-the-Sea's harbour commissioners, extended access times to the harbour, which also benefits commercial vessels and visiting yachts. The establishment of a temporary base on Polka Road and the construction of the new onshore base at Egmere provided work for a wide range of small- to medium-sized businesses.

As well as providing individual sponsorship for relevant projects and events in North Norfolk, Scira has worked with the Norfolk Community Foundation to establish the Sheringham Shoal Community Fund. The fund provides grants for North Norfolk community groups, including schools and NGOs, that are seeking financial assistance for projects or initiatives that meet key criteria and focus on renewable energy, the marine environment and safety, sustainability, or education in these areas [2]. Some 60 local people are employed full-time to operate and maintain the wind farm [3].

More information about Sheringham Shoal can be found at www.scira.co.uk.

Future projects in the UK

In October 2012, Statoil and Statkraft acquired the Dudgeon offshore wind farm project, some 32 kilometres offshore and 20 kilometres north-east of Sheringham Shoal. Statoil owns 70% and Statkraft 30%. Dudgeon recently received official consent for up to 560 MW of installed generation capacity. The investment by Statoil and Statkraft strengthens already strong energy relations between Norway and the UK.

Statoil and Statkraft, together with German and UK electricity providers RWE and SSE, respectively, are also partners in the Forewind consortium. The consortium is currently seeking consent for the Dogger Bank projects, which are located 125-290 kilometres off the UK east coast and potentially make up the world's largest offshore wind development. The projects could supply nine gigawatts of power, a significant contribution to the UK's electricity needs [4].

Floating turbines

Hywind is the world's first full-scale floating wind turbine. Conceived in 2001 by two Statoil engineers who sketched the original idea on a napkin, Hywind has put next-generation energy technology to the test.

In 2009, Statoil invested around NOK 400 million in the construction and further development of a pilot, which was installed off the coast of south-west Norway in 2009. The concept was tested and technically verified within two years. It continually exceeded performance expectations.

Because Hywind floats, it is especially well adapted to deepwater locations. The floating pilot structure consists of a steel cylinder filled with ballast of water and rocks. It extends 100 metres beneath the surface of the sea and is attached to the seabed by a three-point mooring spread.

The Hywind concept is a door opener for completely new renewable energy business opportunities, unlocking huge offshore areas for clean energy production. This is a direct result of Statoil's extensive offshore oil and gas experience and technology innovation capacity. Our next step is the development of small pilot farms. We are currently assessing possible locations for a future pilot farm of three to five turbines. Statoil is mainly focusing on sites in the US and UK.

Safety and maintenance

Safe operations and maintenance are essential if offshore wind is to succeed. An offshore wind development is a logistically complex endeavour. Statoil has worked for years in offshore oil and gas industry environments and developed robust systems for risk assessment and management. We also recognise that, as a newcomer to the wind industry, we have a lot to learn. We aim to contribute to HSE standards in the growing offshore wind industry, and to work proactively to raise industry standards.

Future developments will require that the industry works to improve installation design as wind farm construction gradually moves into deeper waters, further offshore and into areas with even more challenging weather. Sheringham Shoal, for example, requires regular attention. Technicians need to access the wind farm's 88 turbines year-round, regardless of weather conditions. The North Sea's high waves sometimes makes vessel-to-turbine transfer treacherous - so we sought a solution.

Scira Offshore Energy collaborated with UK-based OSBIT Power to find a safer and more reliable way to board the turbines. The result is the new MaXccess vessel transfer system.

"Accessing turbines is the most hazardous operation undertaken during the construction and operation of a wind farm, so by working together with OSBIT Power on the development of this transfer technology we addressed the issue and have improved safety for our personnel," says Sheringham Shoal marine operations manager Meindert Jan van der Velde. "MaXccess will also increase our efficiency, as transfers can now take place in conditions of up to two metres significant wave height." Statoil also cooperated with Siemens and Fred Olsen Windcarrier to carry out sea trials on MaXccess during testing of the Hywind floating wind turbine project off the coast of Norway.

The MaXccess system
MaXccess differs from existing vessel transfer systems because it is engineered to restrain both vertical and horizontal bow motions while allowing the vessel to roll, pitch and yaw freely. This extends the wave height limit for personnel transfers on a range of vessel types. MaXccess allows the vessel it is installed on to quickly clamp onto a turbine and operate at low power while technician and cargo transfers take place.

The MaXccess system has undergone a thorough and methodical development period, its design has been approved by Lloyds Register, and all aspects of its design and operation are backed up by extensive safety documentation.

[1] Opening of Sheringham Shoal windfarm - GOV.uk
(www.gov.uk/government/news/opening-of-sheringham-shoal-windfarm)

[2] Sheringham Shoal Community Fund
(www.statoil.com/en/TechnologyInnovation/NewEnergy/RenewablePowerProduction/Offshore/SheringhamShoel/Pages/29062012BursaryScheme.aspx)

[3] Norway's Crown Prince opens Sheringham Shoal offshore wind farm
(www.statoil.com/en/NewsAndMedia/News/2012/Pages/27sep_sheringham_shoal.aspx)

[4] PM agrees major energy partnership with Norway, bringing secure energy and jobs - GOV.uk
(www.gov.uk/government/news/pm-agrees-major-energy-partnership-with-norway-bringing-secure-energy-and-jobs)

1.4 About the report

Our sustainability reporting is based on the Global Reporting Initiative (GRI) guidelines version 3.1, the new GRI Oil and Gas Sector Supplement (2012) and the UN Global Compact reporting requirements.

We strive to respect the GRI reporting principles of balance, comparability, accuracy, timeliness, clarity and reliability.

Other relevant reports
Statoil has a combined annual and sustainability report. In addition to the specific chapter on sustainability, relevant aspects such as corporate governance, investor relations, remuneration, operational overviews, list of subsidiaries, etc can be found in other parts of the annual and sustainability report or in other relevant reports. To obtain a full overview of relevant sustainability information, other reports and sources of information should be taken into consideration, particularly:

- Statutory report
- Annual report on form 20-F
- Statoil.com/environment and society

The reports are available in the *Download centre*.

Reporting boundary
Defining simple and consistent boundaries for our sustainability reporting is challenging due to the complexity of ownership and operational arrangements, such as joint ventures. However, we strive to apply consistent principles throughout the report, and to be transparent about variations in scope.

The boundary of our reporting is based on the guidance provided in the GRI "decision tree for boundary setting":

- Performance data are provided for all entities that have significant impacts and are under our operational control
- Entities that we do not control, but have significant or influence over, are included in form of general disclosures of management approach and/or narrative reporting on issues and dilemmas, depending on the degree of impact and on our degree of influence

GRI provides the following definition of "operations" in the oil and gas sector supplement: "Temporary or permanent sites, activities and assets used for exploration, extraction, refining, transporting, distributing, and marketing petroleum products."

By "control", we mean that we own the assets and engage or employ the workforce, or that we operate the asset under a contractual obligation to the owners, or - if the term "operational control" is not applicable - that we hold a majority equity share.

Operations acquired or disposed of during the year are only included for the period we owned them.

Statoil Fuel and Retail
Statoil sold its controlling stake (53%) in Statoil Fuel & Retail ASA (SFR) in June 2012. SFR was a separate incorporated company, listed on the Oslo Stock Exchange, with a board and governance processes in its own right. Performance data for SFR are included until 30 June, where applicable, such as in economic data and all reported HSE performance data. For other performance indicators, SFR is not included.

Bakken
After acquiring the Bakken business unit (formerly Brigham Exploration Company) in December 2011, Statoil implemented an integration plan that allowed the new business unit a period of up to two years to fully transition to Statoil's policies, requirements and systems. Information regarding Bakken's key economic, HSE and human resources performance data is included in this report. However, information regarding the sustainability approach does not apply where the business unit continued to follow Brigham policies and guidelines in 2012.

About our data
Non-financial data are reported on a 100% basis for companies and joint ventures where we are the operator. Environmental data are for our direct emissions unless otherwise stated. We report in this way, in line with industry practice, because these are the data we can directly manage and affect.

Economic performance data
We report economic performance data based on our proportion of equity share. This information is collected and consolidated in line with the rest of the annual report.

HSE performance data
We apply a framework of minimum requirements for recording HSE data for operations within our control. In addition we apply a business risk-based approach to the recording of HSE data, whereby we extend our sphere of influence beyond what is considered to be within our operational control. The scope of our external annual HSE reporting is outlined below.

- We report health and safety incident data for all of our operated assets, facilities and vessels, including all subsidiaries and operations where we are the technical service provider. We extend this scope of reporting to cover contracted drilling rigs, flotels and vessels, the transportation of products and personnel, projects and modifications.
- We report environmental data for all of Statoil-operated assets, facilities and vessels, including all subsidiaries and operations where we are the technical service provider. We extend the scope of reporting to cover drilling rigs and flotels on contract.

People performance data
All of our people performance data relates to permanent employees in our direct employment, except for the table on total workforce, which provides the number of permanent employees as well as consultants. Statoil defines consultants as contracted personnel that are mainly based in our offices. Temporary employees and enterprise personnel are excluded from this table. Enterprise personnel are defined as third party service providers and work on our on-shore and off-shore operations. These are roughly estimated to be around 37,000 in 2012. The information about people policies applies to Statoil and its subsidiaries.

Social performance data
We report social performance data for all our assets and operations with a significant activity level, as well as assets and operations that could be considered relevant due to environmental or social risks, despite a low activity level. We take a business risk-based approach to the management of social and human rights risks and impacts. Data on impact assessments, human rights screenings, community engagement, resettlement, disputes, etc is collected on the basis of information from assets under our control.

Ethics and anti-corruption performance data
With regard to ethics and anti-corruption, our policies and requirements in general apply to all operations we control and to all staff and contractors involved in those operations.

Materiality
Our reporting focuses on the sustainability issues that most affect business performance and matter most to our key stakeholders. We have conducted a thorough content selection process based on the GRI technical protocol "Applying the report content principles", which recommends that content is selected on the basis of a materiality analysis.

The process has consisted of three steps:

- **Identification** - we identified relevant topics that should be assessed for potential inclusion in the report, based on sustainability context and stakeholder expectations and impact.
- **Prioritisation** - we prioritised content based on an assessment of the significance to stakeholders and significance to the organisation (materiality analysis).
- **Validation** - we assessed the completeness of the material aspects identified in terms of scope, boundary and time.

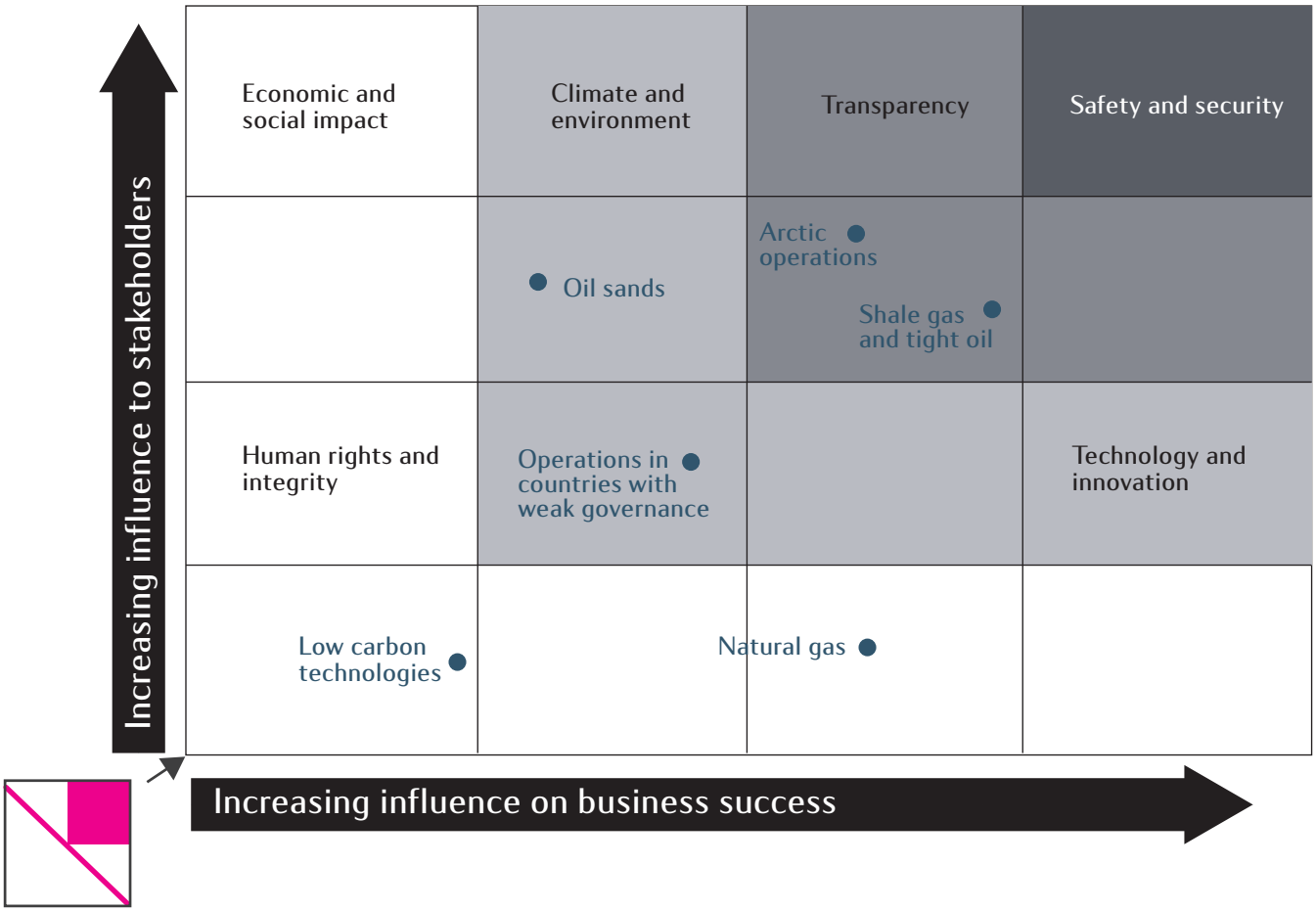
Aspects identified as highly material to both Statoil and our stakeholders are covered in more depth in the report than aspects identified as highly material only to Statoil or only to our stakeholders. Aspects identified as having low materiality are only covered briefly in the report, or on our website.

The process of identifying relevant sustainability topics included media analysis, document studies (internal and external), peer review, owner dialogue and control interviews with key stakeholders internally and externally. Stakeholder dialogues, media analysis and Statoil's international reputation study were our point of departure for assessing significance to stakeholders. The impact on Statoil was assessed based on factors such as potential financial impact, reputational impact, environmental and social impact, corporate strategy and key operations and industry comparison and standardisation.

The figure below illustrates topics that were identified as highly material both in terms of importance to stakeholders and in terms of the potential impact on Statoil. Our aim has been to cover these topics in depth in the report, and the materiality analysis has greatly influenced our selection of case studies.

The fact that certain sustainability topics have not been identified as highly material to both Statoil and our stakeholders, does not mean that these issues are insignificant or excluded from the report. Topics that have been identified as highly material to either Statoil or our stakeholders, include indigenous people, waste management, employee diversity, employee training, transport, talent acquisition and biodiversity. These issues are included in the report, but to a lesser extent than the topics identified as highly material.

Topics and operations of high materiality



The illustration shows topics and operations identified as highly material in a sustainability context by both Statoil and our stakeholders.

1.5 GRI and UN Global Compact index

As a signatory member to the UN Global Compact, we are required to communicate progress on the UN GC prinicples annually to our stakeholders. We use the Global Reporting Initiative (GRI) as a reporting framework for our sustainability reporting.

The Global Reporting Initiative

The Global Reporting Initiative (GRI) is a non-profit, multi-stakeholder organisation which, since its establishment in 1997, has worked to create a more standardised framework for reporting on issues relating to sustainability.

In Statoil's opinion, our reporting practice is in line with the GRI 3.1 reporting guidelines, including the Oil and Gas Sector Supplement, and fulfills the requirements for highest application level, A+. The plus sign indicates that the report has been externally assured.

The external assurance, as outlined in the *Independent assurance report*, concludes that the Application Level A+ is consistent with the GRI criteria for this Application Level.

A full *GRI index table*, including references to how and where we address the GRI indicators and disclosures, including what indicators we do not report on, is available in the *Download centre.*

UN Global Compact

The UN Global Compact is based on 10 basic principles in the areas of human rights, labour standards, the environment and anti-corruption. As a signatory member to the UN Global Compact, Statoil is required to communicate progress on these principles annually to our stakeholders.

Statoil has been a signatory member of the UN Global Compact since its inception in 2000. Thus, the ten principles of the UN Global Compact also guide the content of our annual and sustainability report. We regard the annual and sustainability report to also be our Communication of Progress report to the UN Global Compact.

The UN Global Compact index, available in the *Download centre*, indicates where in the annual and sustainability report information about each of the 10 principles is presented. In our opinion, Statoil meets the requirements for "GC Advanced".

1.6 Independent assurance report

Independent assurance report

To the board of directors of Statoil ASA

We were engaged by the corporate executive committee of Statoil ASA ("Statoil") to provide assurance on the Sustainability report 2012 ("the Report"), as presented in the section "Sustainable performance" in the Statoil Annual and Sustainability Report 2012.The corporate executive committee is responsible for the preparation of the Report, including the identification of material issues and the determination of the GRI Application Level. Our responsibility is to issue an assurance report based on the engagement outlined below.

Scope
Our assurance engagement was designed to provide: limited assurance on whether the Report is presented fairly, in all material respects, in accordance with the reporting criteria; reasonable assurance on whether for the indicators in the table below the data and related explanatory notes are presented, in all material respects, in accordance with the reporting criteria.

- *Safety and security indicators*: Total Recordable Injury Frequency (TRIF), Total recordable injury frequency per country, Lost-time injury frequency, Serious Incident Frequency (SIF), Oil spills, Other spills;
- *Environmental indicators*: CO_2 emissions, CH_4 emissions, NO_x emissions, nmVOC emissions, SO_X emissions, Energy consumption, Non-hazardous waste recovery rate, Hazardous waste recovery rate, Regular discharges of oil to water, Fresh water consumption;
- *Health indicator*: Sickness absence;

In addition we were asked to check whether Statoil's GRI Application Level, as disclosed in the section "GRI and UN Global Compact index", is consistent with the GRI criteria for the disclosed Application Level.

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

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

Reporting criteria and assurance standard
Statoil applies the Sustainability Reporting Guidelines (G3.1), including the Oil and Gas Sector Supplement, of the Global Reporting Initiative supported by internally developed guidelines as described in the section "About the report". It is important to view the performance data in the context of these criteria.

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

Work undertaken
Our procedures for limited assurance on the Report involved:

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

Our additional procedures for reasonable assurance on the indicators as outlined under Scope involved:

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

With respect to our work on the disclosed GRI Application Level, our procedures were limited to checking whether the GRI Content Index is consistent with the criteria for the disclosed Application Level and that the relevant information is publicly reported.

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

Conclusion in respect of the Report
Based on our procedures for limited assurance, nothing has come to our attention to indicate that the Report is not fairly presented, in all material respects, in accordance with the reporting criteria.

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

Report on GRI application level

Based on the procedures performed we conclude that the Application Level A+, as disclosed in the section "GRI and UN Global Compact index" and based on the GRI Content Index availablein the Download centre, is consistent with the GRI criteria for this Application Level.

Stavanger, 19 March, 2013
KPMG AS

Arne Frogner
State Authorized Public Accountant (Norway)

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