



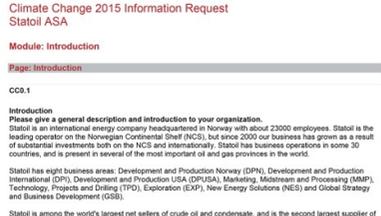
2015

Sustainability
report



Statoil

Find out more

<p>2015 Annual report on Form 20-F</p> 	<p>Energy Perspectives 2015</p> 	<p>2015 Payments to governments</p> 
<p>2015 Oil sands report</p> 	<p>2015 Statutory report</p> 	<p>2015 Statement on remuneration for Statoil's Corporate Executive Committee</p> 
<p>2015 CDP¹ report</p> 	<p>2015 Global Reporting Initiative (GRI) G4 content index</p> 	<p>The Statoil Book</p> 

Where to find the reports

- The annual reports and statements are available at www.statoil.com/en/investorcentre/annualreport
- Energy Perspectives, the GRI G4 content index and the CDP report are available at www.statoil.com/en/EnvironmentSociety/Sustainability/Pages
- The Statoil Book is available at www.statoil.com/EthicsandValues
- More information about safety and sustainability can be found in the Sustainability section at www.statoil.com

Feedback

This year we have focused on making our report more transparent and easier to read. We would welcome your feedback. You can contact the corporate sustainability reporting team at sustainabilityreport@statoil.com.

¹ Formerly the "Carbon Disclosure Project".

2015

Sustainability
report

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Cover photo: Øyvind Hagen

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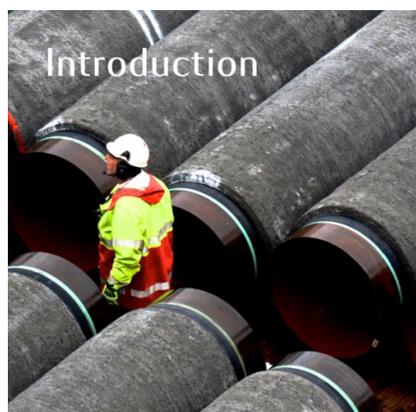
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A worker wearing a white hard hat, a high-visibility yellow and orange safety vest, and a headset is standing in a large industrial facility. The worker is surrounded by massive, dark grey pipes that are stacked in rows. The pipes have white markings, including the number '1243508'. The scene is dimly lit, with the worker's vest and the white markings on the pipes providing the main sources of light and contrast.

Introduction

How is safety and sustainability
integrated in our business
strategy and our daily work?

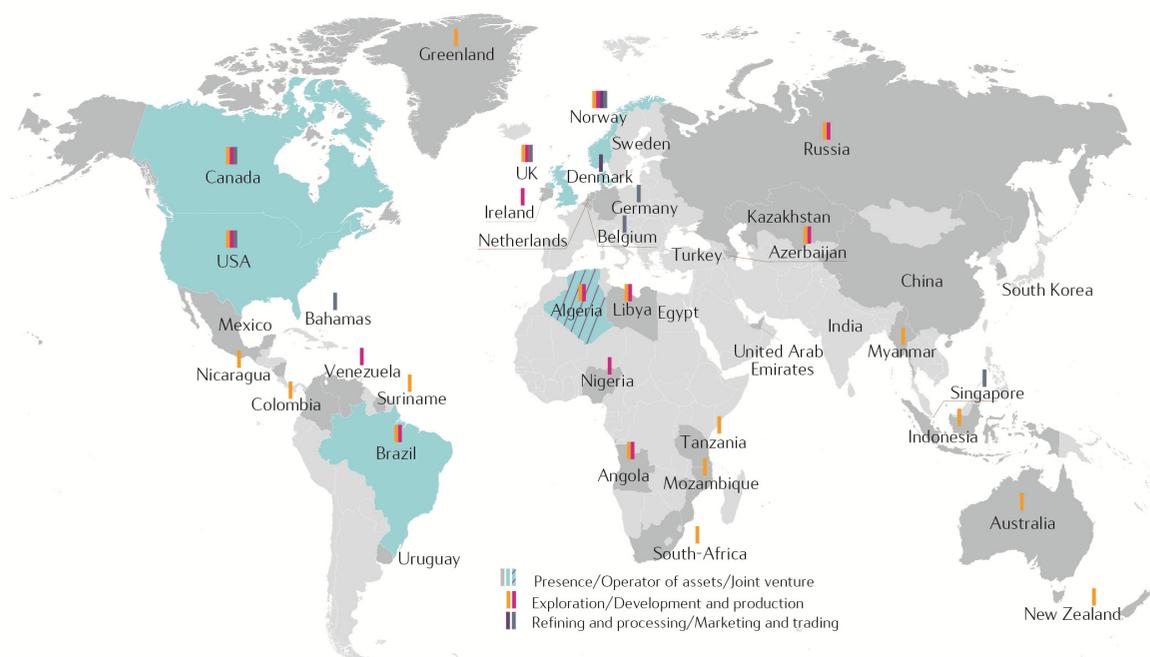
We are Statoil

We develop oil, gas and energy solutions for today and tomorrow.

We were founded on the idea that industrial development undertaken by skilful people should create value for society. Our purpose is to bring energy to a growing population to create value for our shareholders and the communities where we operate. That guides our strategy as we work towards a future where energy is sustainable and affordable for all.

- Since our founding in 1972 Statoil has grown to be the leading oil and gas operator on the Norwegian continental shelf
- In 2015, 37% of our oil and gas equity production took place outside Norway
- We are the second biggest gas supplier to Europe
- In 2015, our equity production was 719 million barrels of oil equivalents and total production from Statoil-operated assets was 1,073 million barrels of oil equivalents
- We aim to deepen and prolong our position on Norway's continental shelf and to grow material and profitable international positions
- We aim to provide energy for a low carbon future and to create lasting value for communities
- We aim to have a focused and value-adding mid- and downstream business
- Statoil is listed on the New York and Oslo stock exchanges and employs about 21,600 people worldwide

Where we are in the world



The map provides an overview of our presence as of 31.12.2015, highlighting where we operate production or processing facilities.

Algeria: We operate two gas fields together with BP and Sonatrach.

Angola: We are a partner in four producing oil fields.

Brazil: We operate the heavy-oil Peregrino field.

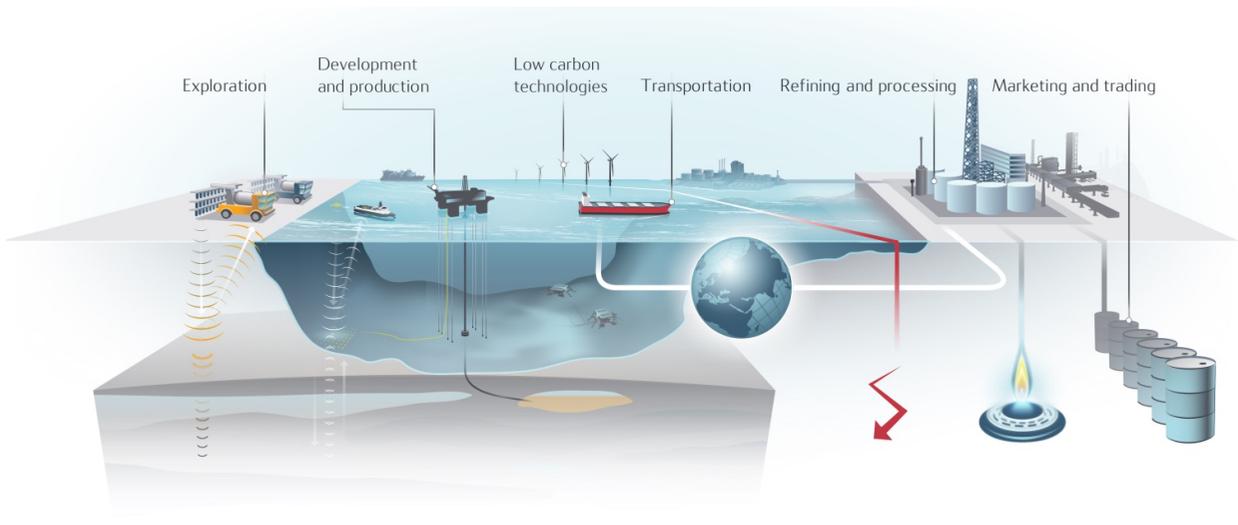
Canada: We operate the onshore Leismer oil sands project.

Norway: We are the leading oil and gas operator and have significant exploration, development, refining and processing activities.

UK: We have significant investments in oil and gas and offshore wind projects.

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

Our value chain



Exploration, development and production

In Statoil we focus on innovation in exploration, development and production to recover valuable resources at low cost and low carbon footprint. We are one of the world's most carbon efficient oil and gas producers, committed to ensuring safe operations and creating local value.

Low-carbon technologies

A growing demand for low-carbon energy is opening up new business opportunities. Within this area, our focus is on carbon capture and storage and offshore wind. Our wind project in the UK delivers energy to 220,000 homes. These operations are managed by our *New Energy Solutions* business area.

Transportation

We have around 90 vessels in daily operation, transporting oil and gas. We work actively to enhance energy efficiency and reduce emissions to air from our shipping activities, as well as to prevent oil spills.

Refining and processing

Statoil refines oil and processes gas at a number of plants both in and outside Norway. We are also the technical service provider for reception facilities and infrastructure for gas. We believe that gas will play an important role in the transition to a low-carbon future.

Marketing and trading

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

Supply chain

The annual value of our procurement spend is over NOK 170 billion, and we have approximately 10,000 suppliers around the world. We are committed to using suppliers that maintain high standards of integrity, safety and sustainability.

Our values are:

Courageous
Open Caring Hands-on

Key topics for stakeholders and Statoil

Material topics:

Climate change

- Our position on climate change
- Climate risk and portfolio resilience
- How we manage our emissions
- Low carbon technologies

Safety and security

- Preventing incidents and accidents
- Accidental oil spills
- Health and work environment
- Security

Communities

- Creating local value
- Working with our suppliers
- Transparency and anti-corruption
- Human rights
- Resource efficiency and local environmental impact

People and organisation

- Talent attraction
- Organisational change and employee cooperation
- Diversity and inclusion
- Learning and development

The safety and sustainability debate in 2015

This report focuses on the safety and sustainability issues that matter most to our key stakeholders and are important to Statoil. These are listed to the left.

In 2015, some of our stakeholders were particularly interested in the topic of **climate change and climate risk**. A shareholder resolution on this topic was endorsed by our board of directors and our 2015 Annual General Meeting. Other topics of high interest to some stakeholders included **safety and security, organisational efficiency programmes and revenue transparency**.

We welcome the conclusion of two ground-breaking global agreements relevant for sustainability in 2015: the 17 *Sustainable development goals* that are at the core of the United Nations 2030 Agenda for Sustainable Development, and the *Paris Agreement* signed at the UN Conference of Parties (COP21) climate conference in December 2015. We recognise that we have a role to play in achieving the ambitious goals set out in both agreements.

Content selection process

We conducted a systematic content selection process based on the *Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines*, taking into account stakeholders' expectations, the sustainability context and the importance of issues to stakeholders and to Statoil.

As a first step, we reviewed the aspects that might be included in the report. This was based on our internal risk and impact management process and information from stakeholder engagement, as well as through review of the GRI guidelines, sustainability ratings and peer company reports.

Secondly, we prioritised these issues based on significance to stakeholders and to our company. Our corporate risk management process and country sustainability plans, which provide an overview of sustainability risk factors at country level, were important sources of information.

We used feedback obtained from continuous and regular dialogue with our key stakeholders throughout the year to inform our reporting, as well as media analysis. Our key stakeholders include investors and shareholders (including our majority owner the Norwegian government), host governments, civil society and employees. The dialogue took place through a variety of channels, ranging from meetings, events and partnerships to local town halls and site level grievance mechanisms.

Finally, internal review and external assurance helped us ensure that we had included the relevant aspects.

An overview of material topics and reporting boundaries is available on page 43.

More information about how we engage with stakeholders to inform our strategies, business activities and reporting, is available on page 8.

Our vision – shaping the future of energy

How our safety and sustainability priorities support our vision.

Fundamental changes are happening in the oil and gas industry. The industry faces new challenges, such as pressure on margins, changing patterns of energy supply and consumption, geopolitical instability and rising climate change concerns.

In a changing industrial context, we are pursuing a strategy to deliver upon a long-term vision: to be one of the leaders in our industry that is shaping the future of energy. We will know that we have been successful with our strategy when we are:

- Staying competitive at all times
- Transforming the oil and gas industry
- Providing energy for a low carbon future

To succeed, we believe a mindset of radical change is needed – we need to work smarter, better and more simply. We also need to be more transparent about what we want to achieve and the issues we face in reaching our goals.

Our safety and sustainability ambitions (left) are placed to support our vision. These elements are integral to our business strategy.

Safe and secure operations are a prerequisite for sound business performance. Our Compliance & Leadership programme, which emphasises leadership behaviour and compliance, is a cornerstone of our safety strategy. Other priority areas are risk awareness, efficient barriers, improving with our suppliers and implementing our Security improvement programme. Further improvement in our safety performance implies collaboration with and transfer of experience between us and our suppliers.

The future has to be low carbon. That is why we want to be the most carbon efficient oil and gas producer and in addition build a new energy business focusing on opportunities arising from the transition to a low carbon world. Reducing carbon emissions and exploring new low-carbon business opportunities will ensure the long-term viability of our position as a leading energy provider.

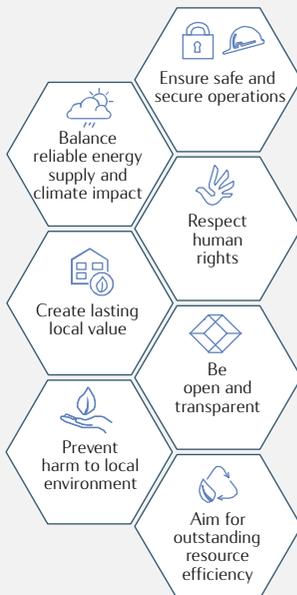
Local value creation – based on understanding and responding appropriately to each specific operational setting – will help us maintain a mutually beneficial relationship with the communities in which we operate. We aim to create local opportunities, respect human rights, be open and transparent, aim for outstanding resource efficiency and prevent harm to local environments. Going forward, we will assess how we can further align our sustainability efforts with the Sustainable Development Goals.

Our vision:

- Staying competitive at all times
- Transforming the oil and gas industry
- Providing energy for a low carbon future

Our safety and sustainability ambitions:

- An industry leader in safe and secure operations
- Be recognised as the most carbon efficient oil and gas producer
- Create lasting local value for communities



How we work

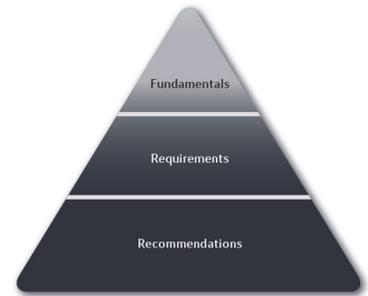
Translating our ambitions into performance.

Safety and sustainability management is an integral part of our overall management system, which includes our policies and requirements, operating model and governance.

Our management system:

Our management system has three main objectives:

1. Contribute to safe, reliable and efficient operations and enable us to comply with external and internal requirements
2. Help us to incorporate our values, our people and our leadership principles in everything we do
3. Support our business performance through high-quality decision-making, fast and precise execution, and continuous learning



The Statoil Book

Our management system and our most important policies and requirements are described in the Statoil Book.



The Statoil Book is available at www.statoil.com/en/About/TheStatoilBook/

Risk management

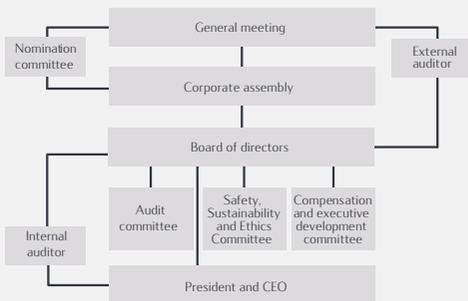
In order to respond to the diverse challenges and opportunities we encounter in the course of undertaking our activities, we take a holistic and multi-disciplinary approach to business and project risk management. We draw on tools and expertise from relevant disciplines, including sustainability, safety, security and ethics and anti-corruption. The most material safety, security and sustainability risk factors are discussed and reviewed by the corporate executive committee and board of directors on a regular basis.

Safety and sustainability governance

Implementation of the sustainability strategy is supervised by Statoil's Corporate Sustainability Unit, reporting directly to the head of Global Strategy and Business Development, with the support of other corporate functions and business areas. Implementation of the safety and security strategies is the responsibility of the Corporate Safety and Security Unit, reporting directly to the chief operating officer. The progress in implementing these strategies is measured by means of performance indicators and monitored by the corporate executive committee and the board of directors' Safety, Security, Sustainability and Ethics Committee (illustration, left).

Implementing our safety and sustainability strategies

Our safety and sustainability strategies provide direction for action. In addition to carrying out actions directly linked to safety and security management, carbon efficiency and communities, we have developed guidance and tools for everyone who works for us. This involves active use of our management system, including our risk and impact management processes, and our assurance and reporting tools to strengthen our safety and security capabilities. In 2015, all employees were offered an e-learning course on sustainability. Within safety and security, we continued our Compliance & Leadership programme. Another key priority was implementing our Security Improvement Programme, focusing on efforts to strengthen our security culture.



Statement on remuneration for Statoil's Corporate Executive Committee

The statement describes our remuneration policy and criteria.



The statement is available at www.statoil.com/annualreport2015/

The CEO's safety, security and sustainability award

The annual CEO's Safety, Security and Sustainability award calls attention to and rewards strong performance within safety, security and sustainability.

In 2015, the winners were the *US onshore emission reduction programme* and the *Energy network in Development and Production Norway*.

Both winners have contributed to significant CO₂ emission reductions over the past years – see *Emission reductions* on page 18.

Performance management and reward

We assess performance in two dimensions; "what we deliver" and "how we deliver". In 2015, business delivery ("what we deliver") was assessed through strategic objectives, key performance indicators (KPIs) and actions in five perspectives: **people and organisation, safety and sustainability, operations, market and results**.

In 2015, the assessment of the CEO's business delivery, for reward purposes, was primarily based on the "Results" perspective, which included the "serious incident frequency" (SIF). For 2016, both SIF and "CO₂ intensity for the upstream portfolio" will form the basis for this assessment, along with other selected KPIs. Performance is always tested against broader strategic objectives, changes in assumptions and the sustainability of the delivered results.

Our corporate safety and sustainability objectives and KPIs are described below. In 2015, four corporate KPIs were related to safety and sustainability: CO₂ emission reductions, SIF, well control incidents and serious oil/gas leakages.

Safety and sustainability in the corporate "Ambition to action" 2015

Strategic objectives	KPIs* and actions	Targets	Results
Industry leader in safety and sustainability	CO ₂ emission reductions (tonnes CO ₂)	330,000	●
	Serious incident frequency (per million hours worked)	<0.5	●
	Serious oil and gas leakages (per year)	<6	●
	Well control incidents	0	●
Committed to creating lasting local value for communities	Establish country sustainability plans in countries where our operations involve several business entities	Plans established	●
People, assets and operations safeguarded from security risks	Progress on the Security Improvement Programme	NA	●

Green – target met or exceeded. Yellow – target partially met. Red – target not met

Safety and sustainability in the corporate "Ambition to action" 2016

Strategic objective: Industry leader in safety, security and carbon efficiency		
KPIs*	Targets	Actions
CO ₂ intensity for the upstream portfolio	Top quartile in the International Association of Oil and Gas Producers' CO ₂ intensity benchmark	Develop and implement Statoil's climate roadmap.
Serious incident frequency, actual (per million hours worked)	<0.18	Secure consistent risk management Secure containment through efficient and effective barriers
Serious oil and gas leakages (per year)	<10	Execute security roadmap activities

*Definitions are available on page 44.

Engagement and collaboration

We are committed to creating lasting value for communities and we believe that we can only achieve it through working closely with our stakeholders and understanding their concerns and expectations. Safety and sustainability challenges are often so complex that several organisations providing multiple perspectives, and concerted efforts from many sectors, are needed to solve them.

Our stakeholders are the many individuals and organisations affected by our role as energy provider, employer, business partner and participant in local operations. We try to nurture lasting and constructive relationships with the various actors in our operating environment— for their benefit and for our own commercial success.

We conduct active engagement and dialogue with governments, local authorities and communities, civil society, international organisations and our employees and their representatives—as well as trade and industry associations.

More information about how we engage with stakeholders is available at www.statoil.com/en/EnvironmentSociety/Sustainability/Pages/.

We have agreements with several well-known organisations that enable us to learn, share experiences and participate in specific actions designed to improve our performance. As an example, an overview of some of our key international safety and sustainability partnerships and memberships is provided below. The list is not exhaustive. In addition, we engage locally and nationally.



Climate change

How Statoil aims to stay competitive in the low-carbon future.





Our position on climate change

Meeting the low-carbon challenge.

Statoil recognises the ambition to limit the average global temperature rise to below two degrees centigrade compared to pre-industrial levels. This will require a transition to a low-carbon economy over the next few decades and involve significant action from all parts of society, including companies, consumers and governments. The energy system, in particular, will have to undergo dramatic change in order to shrink its carbon emissions, while continuing to supply the growth in demand for energy in emerging markets.

The Paris Agreement on climate change negotiated in December 2015 provides the prospect of improved policy support around the world for accelerating the shift to low-carbon solutions. As a major provider of oil and gas, we recognise that we have a key role to play in making this transition work. We welcome the agreement and believe we are well positioned to play our part.

Our shareholders are increasingly asking for greater transparency about the measures we are taking to respond to climate risk and to ensure that our business model evolves in line with changing realities and expectations. In May 2015, our Annual General Meeting passed a shareholder resolution calling for greater disclosure around all aspects of how we are responding to climate change. Our initial response can be seen in this report.

Our approach to climate change

There are four key aspects to Statoil's response to climate change and we will explore each of these in more detail in this section of the report:

- Climate policy: supporting the development of viable policies and regulatory frameworks to accelerate an orderly transition to a low-carbon economy.
- Climate risk and portfolio resilience: ensuring that Statoil's business model evolves in parallel with the energy transition, allowing us to embrace low-carbon solutions as an opportunity rather than a threat, while monitoring the regulatory, market, technological and physical impact of climate change.
- Emissions management: prioritising maximum carbon efficiency and energy savings across the entire value chain, linked to executive compensation (see page 7).
- Low-carbon technologies: harnessing our technological capacity to develop and explore a broad array of low-carbon energy solutions.

In 2015, we joined the Oil and Gas Climate Initiative, a voluntary, CEO-led grouping that aims to accelerate and guide the industry's shift towards a low-carbon world. This complements our participation in other significant initiatives such as the World Bank's Global Gas Flaring Reduction Initiative and the Climate and Clean Air Coalition Oil and Gas Methane Partnership, to mention a few (box, left).

The Oil and Gas Climate Initiative (OGCI)

The OGCI is a CEO-led voluntary initiative set up in 2014 to accelerate and guide collective efforts towards a low-carbon future. It is made up of oil and gas companies that want to contribute to climate change solutions.

www.oilandgasclimateinitiative.com

The Global Gas Flaring Reduction partnership (GGFR)

The GGFR partnership is a World Bank initiative that aims to eliminate global flaring by 2050. Flaring of associated gas is a considerable source of CO₂ emissions from the oil and gas industry.

www.worldbank.org/en/programs/gasflaringreduction

The Climate and Clean Air Coalition Oil and Gas Methane Partnership (CCAC OGMP)

The Climate and Clean Air Coalition (CCAC) is led by the United Nations Environment Programme and consists of several country partners and other key institutions.

Through the Oil and Gas Methane Partnership, the CCAC works with leading oil and gas companies to achieve substantial global methane reductions.

new.ccacoalition.org

The Business Partnership for Market Readiness (B-PMR)

The International Emissions Trading Association's Business Partnership for Market Readiness (B-PMR) supports countries to assess, prepare, and implement carbon pricing instruments in order to scale up greenhouse gas mitigation. It also serves as a platform for countries to share knowledge and work together to shape the future of cost-effective climate change mitigation.

www.thepmr.org



Supporting climate policies

We work with governments, other companies and civil society organisations to facilitate the development of viable policies and regulatory frameworks.

Three key positions inform our climate advocacy efforts:

- Climate policy measures should be predictable, transparent and internationally applied in order to provide incentives for lower-carbon technologies, 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, as we regarded this as the most effective measure.
- Climate policy measures should be technology and fuel-neutral to maximise innovation through market competition. Targeted public investment into research and development and market scaling support is needed to stimulate relevant new and emerging technologies. The level of support should be reduced over time and removed entirely for competitive technologies.

We firmly believe that a carbon price is the right way to incentivise the supply and use of lower-carbon options, enabling the world to move faster to a sustainable energy system, while meeting growing energy demand along the way. In Norway, Statoil operates successfully with a relatively high carbon tax (see page 15). We have shown that it’s possible to prosper in a world of carbon pricing.

We are working with governments, businesses and organisations to develop policies for effective carbon pricing around the world. In June 2015, Statoil’s CEO Eldar Sætre —together with the CEOs of BG Group, BP, ENI, Shell and Total—made a joint call for putting a price on carbon in an open letter addressed directly to the United Nations (UN) and heads of state.

The letter is available at www.statoil.com/en/NewsAndMedia/News/2015/Pages/01Jun_carbon.aspx.

In the EU, we have publicly declared our support for the approved 40% greenhouse gas emissions reduction target by 2030, as well as a significant strengthening of the EU Emissions Trading Scheme. Additionally, we are working through the World Bank’s Business Partnership for Market Readiness (box, previous page) to contribute to the development of well-designed carbon pricing schemes in many countries.

Transparency is important to us. We openly engage with academics, politicians and industry peers in discussions around climate policy measures and how we can contribute to a low-carbon future.

An overview of our engagement with policy makers on climate change policy is available in our 2015 CDP reply, available at www.statoil.com/en/EnvironmentSociety/Sustainability.

“The Oil and Gas Climate Initiative’s Joint Collaborative Declaration highlights the pivotal role that Statoil, and the oil and gas industry, can play in being part of the solution to climate change by harnessing your power and technical expertise to reduce greenhouse gas emissions. I am very grateful for your leadership at this time, and for your strong personal engagement to managing the impact of climate change – this is a fundamental obligation, and though there are many obstacles there is also great opportunity.”

Ms. Christiana Figueres

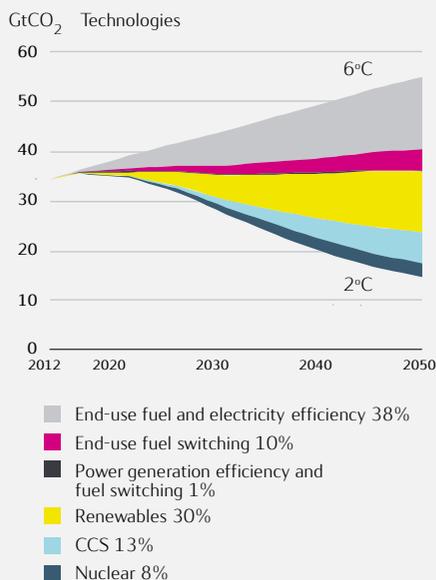
Executive Secretary of the United Nations Framework Convention on Climate Change



Climate risk and portfolio resilience

The place of oil and gas in a low carbon future.

Contribution of technologies to global cumulative CO₂ reductions



Source: IEA data from Energy Technology Perspectives 2015 © OECD/IEA, modified by Statoil

If there is a concerted global effort to limit climate change over the next few decades, energy companies will be among the most strongly affected. We will have to respond to radical changes in our business environment, while continuing to supply energy to a growing world population and rapidly developing economies.

According to the Intergovernmental Panel on Climate Change (IPCC), limiting the average global temperature rise to two degrees centigrade above pre-industrial levels by 2100 will likely require a 40-70% reduction in greenhouse gas emissions by 2050 and net zero emissions well before the end of the century. To achieve this, there will be significantly stricter energy and climate regulations that will increase the cost of producing fossil fuels, while incentivising greater carbon efficiency and low-carbon solutions.

The pace and impact of this long-term shift is not a given and will depend on many factors: geopolitics, the implementation of energy and climate policies, resource shortages, technological progress and economic growth.

Shareholders are increasingly concerned to understand the impact that stricter climate change regulation and the physical impact of climate change may have on different parts of our business over the longer term. This entails getting a clearer picture of the pathway that we and other energy companies intend to take to ensure that our portfolio of assets remains relevant and profitable as realities and expectations change.

As a major provider of oil and gas, we are already responding to the prospect of higher carbon costs and stricter climate regulations. We focus on carbon efficiency in our own operations and incorporate a price on carbon in our investment analysis. We have been exposed to carbon taxation in Norway since 1991. We have also started to expand our portfolio of low-carbon energy solutions and to enhance the market value of existing low-carbon products, establishing a new business area, *New Energy Solutions*, in 2015.

Energy perspectives

In our *Energy Perspectives 2015* report, we analysed three possible scenarios for the 25 years to 2040, each of which would have a different impact on our business.

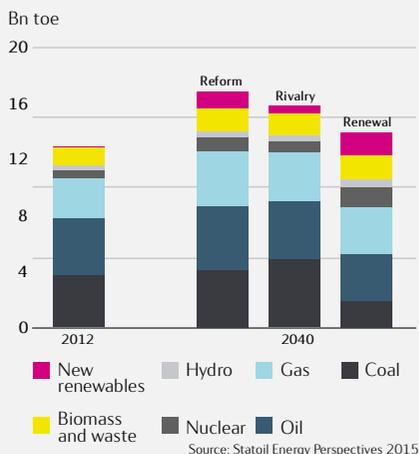
The "Reform" scenario represents a gradual approach to tightening up climate change policy - one that would not be sufficient to ensure sustainability, but with significantly stricter energy and climate policies than today.

The "Rivalry" scenario represents a failure to achieve a global agreement (such as the Paris agreement on climate change) and the further fragmentation of national efforts by governments relying more heavily on their own energy resources.

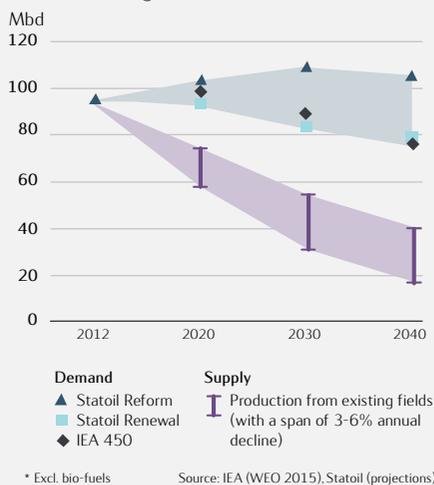
The "Renewal" scenario describes a rapid energy transition based on a global commitment to stay within a two-degree target. Since this scenario in most respects is the most challenging to oil and gas companies - we will explore its impact in more detail.



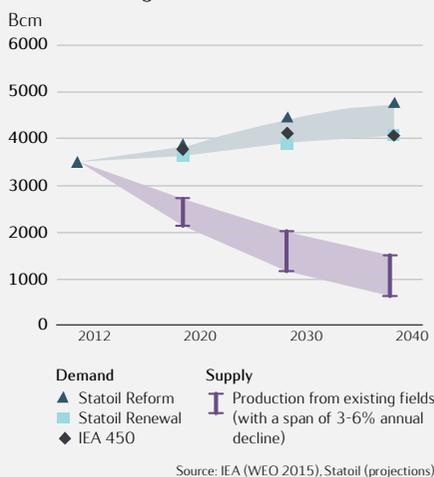
World energy demand per fuel



Global oil demand and supply from existing fields*



Global gas demand and supply from existing fields



The Renewal scenario involves:

- a 40% reduction in carbon emissions by 2040, with peak emissions in 2020
- ongoing decline in energy intensity, reducing energy demand growth to 0.2% a year
- global mechanisms for reducing emissions and pricing carbon
- the phasing out of fossil fuel subsidies worldwide
- the focused financing of low and zero carbon energy systems including carbon capture and storage

A mix of policy, regulatory, behavioural and technological developments would transform the global energy system by 2040. Electricity would be widely used in all sectors of society, including transport, and represent 30% of final energy consumption, up from 19% today. It would be produced by smart, decentralised, efficient and consumer-centric infrastructures and involve cost-efficient energy storage.

The power sector would be significantly decarbonised. Renewables would represent 57% of electricity production up from 21% today, with solar and wind becoming universally cost competitive, with the challenges of intermittency overcome. Coal would represent only 10% of electricity generation (down from 40% today), with growth in China and India fuelled by alternative energy sources.

The transport sector would rely heavily on electrification, sustainable biofuels and other alternative vehicle technologies. This would reduce the share of oil in private road transport to less than 30% in Europe and North America and to around 50% in China and India.

The impact on oil and gas

Under the conditions described in our Renewal scenario, the global energy mix in 2040 would shift with a significantly lower share of coal and a significantly higher share of renewables and nuclear energy. Oil and gas would each account for a 24% share in 2040 – representing a reduction in oil usage (from 31% in 2012) and a rise in gas consumption (from 22%).

Nevertheless, oil and gas together still account for 48% of the global energy mix in 2040 – down from 53% in 2012. The IEA projects quite similar trends in its “450 ppm scenario” (hereafter “IEA 450 scenario”), with oil and gas together accounting for around 43% of the global energy mix in 2040 (World Energy Outlook (WEO) 2015). The IEA 450 scenario is compatible with a global warming of maximum of two degrees Celsius with more than 50% probability (two degree scenario).

In summary, in the Renewal scenario:

- Oil demand could fall by around 0.6% per year if there is a radical rethinking of transportation, but will still represent almost a quarter of the energy mix and be used for materials, transportation and other purposes.
- Natural gas demand could grow by 0.6% a year over the first few decades of the energy transition as coal-based power stations are closed and alternative energy systems are developed, but this would require the introduction of carbon pricing and technology-neutral policies.
- Renewable sources of energy are expected to grow very rapidly, with wind power supply growing by over 9% a year and solar by almost 16%.
- Carbon capture and storage could play an increasing role from the late 2020s, if solutions are found to develop it on a large scale.

These shifts are significant and require both short-term action and careful monitoring and responsiveness over the longer term. But they do not represent an immediate threat to Statoil’s business. Oil and gas fields currently in production will provide just 20% of the oil and gas volume needed in 2040. In particular, the fear of “stranded assets” if oil and gas companies continue to explore for new reserves does not take into account the fact that the demand for oil and gas would be much



Monitoring climate change impact

These are factors we monitor as we shape our asset portfolio for a low-carbon future

Regulatory

- Carbon pricing
- Regulations and/or cap on greenhouse gas emissions
- Tax systems and incentives, including for renewable energy
- Restrictions on access to and maturation of resources

Market

- Oil and gas prices
- Shift in demand for transportation fuels
- Cost of production and development
- Transition from coal to gas in the power sector
- Competitive potential of renewables

Technological breakthrough

- Progress in scaling up carbon capture and storage (CCS)
- Development of energy storage technologies
- Carbon utilisation for new products or processes
- Emergence of disruptive low-carbon technologies

Physical

- Impact on our assets of more frequent extreme weather events
- Assessment of emergency response plans for extreme weather conditions
- Impact on water availability

Our approach to portfolio resilience

- We proactively identify and manage carbon risks and opportunities
- We focus on making our oil and gas production cost- and carbon efficient
- We invest in low-carbon solutions
- Our investments and projects are tested against stricter climate regulations
- We have flexibility in future investments

higher than what can possibly be produced from existing, producing oil and gas fields (graph, previous page).

New fields are urgently needed just to replace capacity. This is why continued exploration and investment in oil and gas production has to continue, along with increasing investments in low-carbon technologies such as renewables. Not all resources will be developed, however - we are exploring to find the most competitive barrels and that definition will be shaped by a combination of factors: the realities of oil and gas prices, the development of new technologies and the speed of decarbonisation.

Identifying climate related business risk and opportunities

We are responding now to enhance our resilience in a future environment with higher carbon costs and stricter climate regulations. Both our corporate executive committee and our board of directors frequently discuss the business risks and opportunities associated with climate change, including regulatory, market, technological and physical risk factors.

To ensure that we take relevant risk factors into account, we apply tools such as internal carbon pricing, scenario planning and stress testing of projects against various oil and gas price assumptions. We regularly assess how the development of technologies and changes in regulations, including the introduction of stringent climate policies, may impact the oil price, the costs of developing new oil and gas assets, and the demand for oil and gas. These assessments are incorporated into our scenarios (see *Monitoring climate change impact*, left). We are aware that disruptive technologies could potentially change our market fundamentally.

Asset portfolio resilience

We have analysed the sensitivity of our portfolio of projects to low oil price and high carbon price assumptions, using both our own planning assumptions and the assumptions laid out in the IEA Current Policies scenario, the IEA New Policies scenario and the IEA 450 scenario (WEO 2015). The analysis covers all accessed acreage, from exploration licences to fields in production, over the lifetime of the projects.

The analysis has been conducted using our own economic planning tool and assumptions, and the IEA's assumptions, which may differ from future oil, gas and carbon prices. Accordingly, there can be no assurance that the assessment is a reliable indicator of the actual impact of climate change on Statoil.

Energy scenarios are not predictions of the future, but analytical tools that we use as input to our strategy and planning. Various scenarios demonstrate the uncertainty in foreseeing future developments, and that several futures are possible.

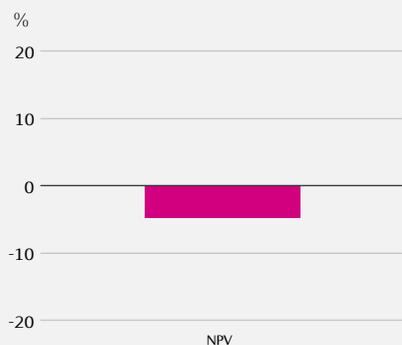
In our analysis, we have replaced our own planning assumptions for carbon cost, oil and gas prices with the equivalent assumptions in these IEA scenarios. However, the projects and other operating conditions have not been further optimised beyond current status. We have assumed that non-sanctioned projects (exploration prospects and leads) with a negative net present value (NPV) will not be executed. Production, revenues, operating expenses and investments for these projects have been removed from the analysis.

We have tested our project portfolio for sensitivity towards carbon prices as set out in the different scenarios. We have used Statoil's internal carbon price as the minimum carbon price and in addition tested for sensitivity towards the IEA carbon price assumptions in the cases where the IEA carbon price is higher than our own carbon price.



Portfolio sensitivity in a two degree scenario (IEA 450 scenario)

450 scenario



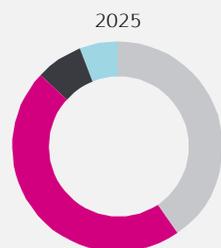
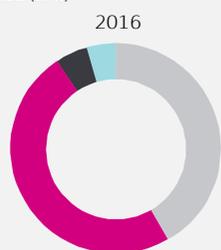
The graph demonstrates the combined effect on NPV of changes in oil and gas prices and CO₂ prices as set out in the IEA 450 scenario, taking into account portfolio changes due to the NPV effect on particular projects.

The base case (0%) represents the NPV using Statoil's planning assumptions.

It should be noted that changes to our economic planning assumptions, as well as changes to the IEA scenarios, will influence the impact on the NPV in future years' analysis.

Forecast production of oil and gas by category

Share of total (boe)



Legend:
 ■ Natural gas ■ Conventional oil
 ■ Tight oil ■ Heavy and extra heavy oil

Equity production, including expected production from accessed exploration acreage.

Our analysis demonstrated that the main contributor to changes in NPV for our asset portfolio is variations in oil and gas prices.

In our assessment, we have focused on the impact of the IEA 450 Scenario ("two degree scenario"). However, we have also analysed the resilience of our portfolio towards the IEA Current Policies scenario and the IEA New Policies scenario. In the two latter scenarios, we see a positive impact on our NPV compared to our own planning assumptions.

In our analysis, the IEA 450 scenario would have a negative impact of about 5% on Statoil's NPV compared to our own planning assumptions as of December 2015 (graph left). This reflects sensitivity to oil and gas prices and carbon price as well as changes to the portfolio due to the NPV effect on particular projects. The projects and other operating conditions have not been further optimised beyond current status.

The impact of the assumptions in the energy scenarios varies between projects and production segments.

- Our conventional oil and gas projects in general carry low climate related regulatory risk. This is due to the relatively low carbon intensity and already high CO₂ cost for many of these projects. Over 60% of our equity production takes place in Norway. These projects are subject to relatively high CO₂ costs of approximately NOK 520 per tonne of CO₂ (approximately USD 64 based on the annual average exchange rate in 2015), reflecting the cost of the Norwegian offshore CO₂ tax in addition to EU ETS quotas. We also incorporate a price on carbon in our investment analysis for international projects. Because of this, a significant increase of the cost of carbon to USD 125 per tonne of CO₂ equivalent in 2035 (as stipulated in the IEA 450 scenario) would only marginally impact the NPV for our conventional oil and gas portfolio.
- Our projects in shale oil and heavy and extra heavy oil are less robust towards higher carbon prices due to their higher carbon intensity. However, the greater flexibility in cost and production of shale oil and extra heavy oil to some extent counterbalances this impact in terms of resilience compared to other projects.
- Our low-carbon projects will benefit from stricter climate policies, subsidies and restrictions on emissions. This can open up opportunities for growth within renewable energy and other low-carbon energy solutions. Reaching scale on floating offshore wind farms will depend on continued subsidies. The successful introduction of carbon capture and storage on a large scale will also depend on the willingness to finance emission reductions by governments and private actors, as well as cost reductions due to technological advances.

To summarise, our analysis demonstrates that the IEA 450 scenario would have a limited impact on the resilience of our asset portfolio, compared to our own planning assumptions.

We are managing the business risks and opportunities brought by a low-carbon future on the basis of the following principles:

Carbon efficiency and large scale natural gas production: We are an industry leader in carbon efficiency and we aim to maintain a very large proportion of low carbon-intensity assets in our portfolio such as conventional oil and natural gas (pie chart, left). That is why we have set a long-term carbon intensity target for production (page 17).



Non-sanctioned projects 2013 → 2016



The chart covers our total non-sanctioned portfolio (operated and non-operated) where projects have been continued since 2013 and have expected production start by the end of 2022.

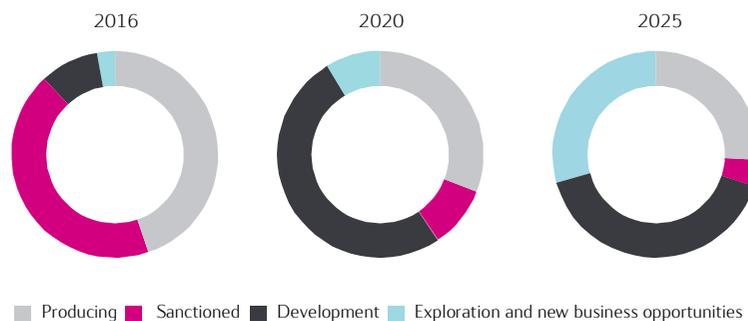
Gas accounts for 41% of our production. Over time, decarbonisation will require the world to move on from natural gas, but over the next few decades switching from coal, the most carbon-intensive fossil fuel, to natural gas can help cut emissions from electricity generation in half. This is because natural gas is less carbon intensive than other hydrocarbons because it contains more hydrogen relative to carbon.

Cost efficiency: Our comprehensive efficiency and cost reduction programme launched in 2013 has achieved cost reductions of USD 1.9 billion (NOK 15.3 billion) per year by the end of 2015, through various means including innovation through standardisation and simplification. As an example, we have significantly reduced the average break-even oil price of both our operated project portfolio sanctioned since 2013 and our non-operated project portfolio (illustration, left). We aim to achieve accumulated cost reductions of USD 2.5 billion (NOK 20.2 billion) per year from 2016.

Flexibility: We have significant flexibility to adjust investments over the next years, with only a small proportion of our forecast (i.e. expected) investments for 2025 already allocated. The share of investments allocated to producing fields and sanctioned projects (i.e. projects for which investment decisions have been made), decreases significantly in 2025 (pie charts, below).

Capex flexibility

Forecast investments by current maturity





How we manage our emissions

Our approach to increasing carbon efficiency.

As a large producer of oil and gas, and therefore a significant emitter of greenhouse gases, we can and must contribute to providing more energy with lower emissions. Energy use for power and heat generation represents the largest direct source of greenhouse gas emissions from our operations. Flaring, venting and leakages represent smaller, but nevertheless significant, sources of emissions. Our efforts to reduce our direct emissions include:

- Improving energy efficiency
- Reducing methane emissions
- Eliminating routine flaring
- Scaling up carbon capture and storage

Carbon intensity target

In 2015, we established a 2020 carbon intensity target of 9 kg CO₂/barrel of oil equivalent (boe) for our upstream (exploration and production) activities. The target is long-term, because carbon reduction initiatives may take years to implement. We believe that the target is ambitious, but achievable, and it reflects our ambition to be an industry leader in carbon efficiency.

To further enhance this ambition, upstream carbon intensity has been incorporated as a key performance indicator at corporate level for 2016. Our performance management model and the link to executive incentives are described on page 7.

Our performance in 2015 demonstrates that we are on our way to meeting our carbon intensity target. The carbon intensity of our upstream production improved to 10kg CO₂ per barrel of oil equivalent (graph, top left) – less than 60% of the industry average of 18kg as measured by the International Association of Oil and Gas Producers (IOGP) (Environmental Performance Indicators, 2014 data).

In addition to our upstream target, we have segment based targets because carbon intensity varies significantly between different types of oil and gas. Carbon intensity data and targets per production segment are described on page 41.

Our targets are subject to significant uncertainty because they relate to events and circumstances that will occur in the future. Changes in our asset portfolio and production disturbances can affect the result for a particular year.

Greenhouse gas emissions

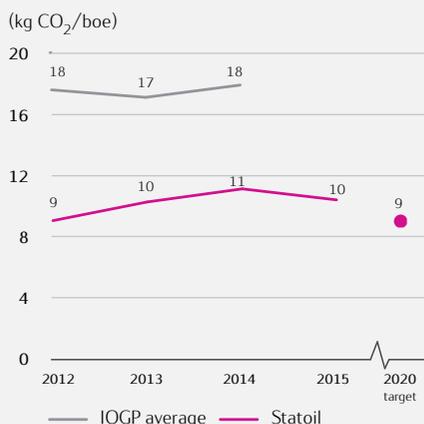
Our operated production increased to 1,073 mboe in 2015, up from 997 mboe in 2014. Total emissions of carbon dioxide therefore increased slightly to 15.4 million tonnes in 2015 (graph, left). Methane emissions decreased significantly, from 40.6 thousand tonnes in 2014 to 36.3 thousand tonnes in 2015 (page 19).

Our direct (scope 1) greenhouse gas (GHG) emissions remained stable at 16.3 million tonnes. GHG emissions include emissions of carbon dioxide and methane. Other greenhouse gases are not included, as these are assessed to be insignificant for Statoil.

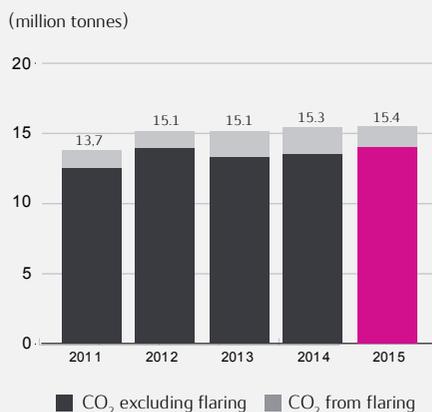
Scope 2 GHG emissions, which include emissions from energy imported from third parties, were 0.3 million tonnes CO₂ equivalents in 2015, using a location based emission factor. More information about scope 2 GHG emissions and emission factors used is available on page 41.

In 2015, we paid approximately NOK 4 billion in CO₂ tax and emission quotas.

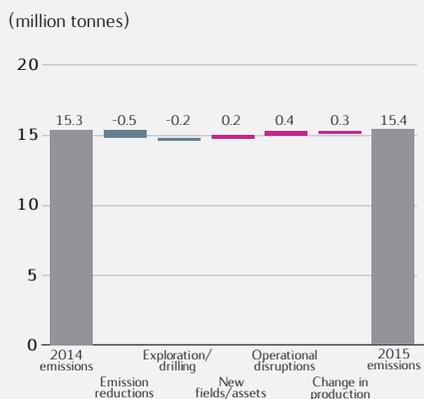
CO₂ intensity (upstream)



CO₂ emissions



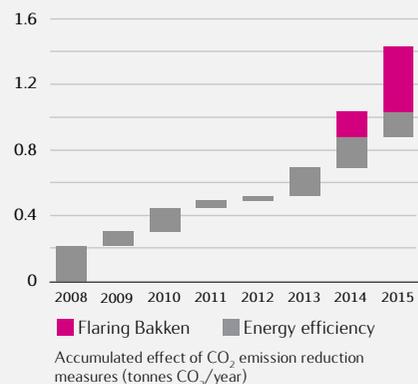
Changes in CO₂ emissions





CO₂ emission reductions

(million tonnes)



Subsea technology milestone

Ten years ago, two of Statoil's subsea oil fields at *Åsgard* in the Norwegian Sea were near closure since the reservoir pressure was too low to allow continued production.

Compressing injection gas on the existing platform was not an option. Building a modern new compression platform would have resulted in additional CO₂ emissions of about 90,000 tonnes per year.

We decided to develop a technology to compress the gas at the seabed close to the wellhead. In 2015, Statoil completed this ground-breaking project, together with Aker Solutions, creating the world's first subsea gas compressions operation.

The technology has extended the reservoir's life to 2032, boosted oil recovery and reduced carbon intensity from 16kg to 9kg of CO₂ per produced barrel of oil equivalent.

Over the fields' lifetime, the avoided emissions will amount to around 1.4 million tonnes. The project is also the first step to realising an energy-efficient subsea processing plant.



Emission reductions

We follow up progress towards our carbon intensity target through emission reduction initiatives. For 2015, our target was to save 330,000 tonnes of CO₂ per year. Through systematic work in our internal energy efficiency network, we managed to implement initiatives accounting for nearly 550,000 tonnes of CO₂ per year.

Reduced flaring at *Bakken* (USA), was the most significant contributor to emission reductions in 2015. This contributed to almost 70% (over 370,000 tonnes) of the total emission reductions.

Energy efficiency improvements at our offshore and onshore facilities in Norway amounted to the rest of the reductions. As an example, at our processing facility *Kårstø* (Norway), we reduced emissions by over 20,000 tonnes of CO₂ per year by optimising the operation of a stabiliser tower.

Our reduction target for 2016 is to save another 220,000 tonnes of CO₂ per year. We expect to achieve these reductions through targeted projects to improve energy efficiency and reduce flaring, all with a positive net present value.

Energy efficiency on the Norwegian continental shelf

For our offshore operations in Norway, we are committed to delivering energy efficiency measures with total savings of 1.2 million tonnes of CO₂ per year between 2008 and 2020. The original target set in 2008 was to save a cumulative total of 800,000 tonnes of CO₂ per year by 2020. Over 250 large and small energy efficiency projects implemented by the end of 2015 enabled us to achieve that target already in 2015. As a result, we have raised the 2020 target by 50%.

Here are some examples of how we have improved energy efficiency:

Rebuilding compressors at Volve and Sleipner

We rebuilt a compressor at Volve in 2015 to optimise energy efficiency, and as a result we were able to shut down a gas turbine. These two measures combined ensured annual savings of 48,000 tonnes of CO₂. At Sleipner, rebuilding a compressor ensured emission reductions of 14,000 tonnes of CO₂ per year.

Åsgard subsea compression

New developments represent an opportunity for avoiding emissions. One example is *Åsgard*, where seabed compression of gas avoids emissions of about 90,000 tonnes of CO₂ per year compared to compressing the gas on a new compressor platform (box, left).

Eliminating routine flaring

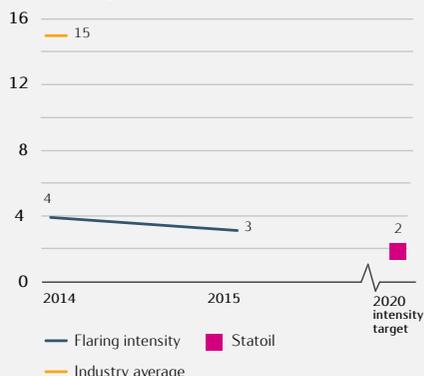
We aim to avoid continuous production flaring in our operations. In 2012, as part of our commitment to the UN Sustainable Energy for All initiative, we announced a 2020 flaring intensity target of 2 tonnes of gas flared per 1,000 tonnes of hydrocarbons produced. We expect to meet this target. Through our collaboration with the Global Gas Flaring Reduction Partnership, we have set an additional target of bringing down continuous production flaring to zero by 2030.

At *Bakken*, USA, we have significantly reduced our flaring level over the past few years. We are working together with neighbouring partners and technology providers to develop flaring reduction solutions. We are required to coordinate our drilling operations with pipeline construction, to reduce the need for flaring. In 2015, we reduced our flaring volumes at *Bakken* with more than 40% compared to 2014, reaching a flaring level below 10% of produced gas in the last quarter of 2015. We thereby surpassed the state of North Dakota's established target to reduce flaring to less than 10% of produced gas by 2020.



Flaring intensity upstream

(tonnes of gas flared per 1.000 tonnes of hydrocarbons produced)

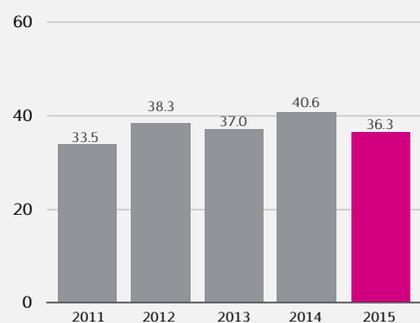


Why methane is important

- Methane (CH₄) is the main component of natural gas.
- It is a short-lived, but potent, greenhouse gas with a global warming potential that is at least 25 times greater than that of CO₂ over a 100 year period and at least 72 times greater over a 20 year period.
- Methane emissions occur throughout the oil and gas value chain.
- Sources can include venting, inefficient flares and leakages from processing equipment.

CH₄ emissions

(thousand tonnes)



In 2015, our total flaring volume was approximately 0.4 million tonnes of flared hydrocarbons, and our flaring intensity was approximately 3 tonnes of gas flared per 1,000 tonnes of hydrocarbons produced (or 0.3% of our production). This is significantly lower than the industry average of 15 tonnes of gas flared per 1,000 tonnes of hydrocarbons produced (graph, left), as measured by the International Association of Oil and Gas Producers (IOGP) (Environmental Performance Indicators, 2014 data).

Safety flaring constitutes over 60% of our flaring, mostly from our offshore operations in Norway. In Norway, regulation combined with close proximity to gas infrastructure have been key to eliminating production flaring.

Reducing methane emissions

Addressing methane emissions is one of the most effective short term climate measures we can implement, and a pre-requisite for ensuring that gas is seen as a credible part of the future, lower carbon, energy mix. Methane emissions from oil and gas activities are receiving increasing interest in many countries, including in Norway and the USA, where most of our operated production takes place.

Methane emissions occur as a result of venting or leakages. As methane can be emitted from a variety sources, it can be challenging to accurately quantify emissions. This raises doubt about the magnitude of emissions.

In 2014 Statoil joined the Climate and Clean Air Coalition (CCAC) Oil and Gas Methane Partnership (OGMP) as a founding partner. Through this initiative, we are committed to systematically addressing methane emissions and report on annual progress. We submitted our initial implementation plan to the Partnership in June 2015, confirming the participation of all our Norwegian offshore operations. In the initial phase, we are focusing on our operated offshore installations in Norway. The results of the work done in 2015 to identify, quantify and mitigate methane emission sources will be reported to the initiative in May 2016.

We have also been involved in a collaborative project led by the Norwegian Environmental Agency to improve the identification and documentation of direct methane emission sources, assess quantification methods and identify reduction opportunities. As a result, the quantification methodologies used to report methane emissions to the Norwegian regulator are expected to be updated in 2017.

Through our participation in these initiatives, we have systematically assessed direct methane emissions for our offshore assets in Norway. We are using this learning to inform the planning of new facilities, through updates to our governing documents. This is intended to anchor best practice for methane reductions already in the design phase.

In 2015, we implemented emission reduction programmes for our US onshore assets, based upon learning from our participation in the University of Texas/Environmental Defense Fund study in 2014. The objective is to reduce fugitive methane emissions from the most dominant sources, including tank batteries, pneumatic devices and process leakages. As an example, *Eagle Ford* and *Marcellus* have several hundred pneumatic controllers. Our preventative maintenance programmes are being enhanced to include leak detection and repair activities for these devices and other equipment.

In order to improve technologies used for methane emissions management, we also joined the Environmental Defense Fund's Methane Detectors Challenge. Partners in the Challenge are supporting the identification and testing of new, cutting-edge methane sensing technologies that could help further reduce methane emissions.



GHG emissions scope 1 and 2*

(million tonnes CO₂ equivalents)



*Scope 2 emissions are reported from 2014

GHG emissions scope 3*

(million tonnes CO₂ equivalents)



*Scope 3 based on Statoil equity production

Emissions from our products

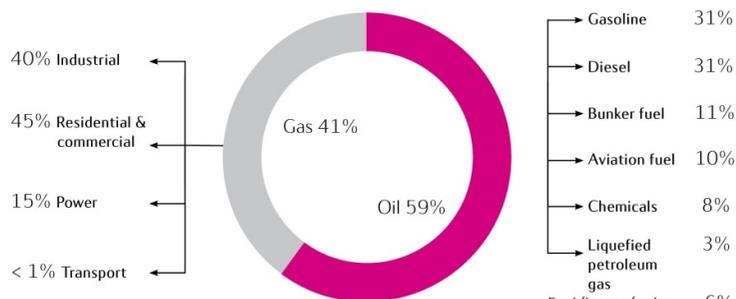
The greenhouse gas emissions related to the use of our products are almost twenty times as high as the direct emissions related to our production. These emissions come from use of our products in transportation, power generation, buildings and materials.

To significantly reduce greenhouse gas emissions related to the use of our products, technological development and efforts from many sectors are needed. Providing gas as a substitute for coal is one way in which we can contribute to an overall reduction of product emissions from fossil fuels (see graph, page 12). Another way is to support fuel and efficiency improvements in those parts of the transportation sector where we have significant involvement.

Energy efficiency is important for us when selecting suppliers and vessels for transportation. We work closely with our suppliers to explore new technologies, and in 2014 we entered into long term charter contracts for 14 new "eco-design" vessels to be delivered in the next few years. Two shuttle tankers under this programme were delivered in 2015. In addition, a supply vessel was converted to a liquefied natural gas engine.

Between 2011 and 2015, emissions from vessel operations and helicopter services provided by our suppliers for our Norwegian offshore activities decreased from 460,000 tonnes of CO₂ to about 365,000 tonnes of CO₂ (16% reduction, adjusted for activity level).

How are Statoil's products used?



Based upon equity production figures. Gas usage figures are based on an assessment of Statoil's equity production and sales agreements. Oil usage figures are based on typical Brent Blend refining yield.



Low carbon technologies

The energy transition opens up new business opportunities.

Our approach to business and growth opportunities within renewables and new energy solutions includes both commercial investments and research and development (R&D):

- We have made investments in offshore wind projects.
- We continue to be engaged in carbon capture and storage (CCS).
- A significant proportion of our R&D efforts address energy efficiency, carbon capture and renewables.
- We have established an R&D partnership with GE to find sustainable solutions for the oil and gas industry.

In May 2015, Statoil announced a new business area for *New Energy Solutions* to drive further profitable growth within these areas. This reflects our aspirations to gradually complement our oil and gas portfolio with profitable renewable energy and other low-carbon energy solutions.

Renewable energy

Within renewables, we are focusing on strengthening our technology position in floating as well as fixed foundation offshore wind power. Statoil has been actively involved in offshore wind projects for more than ten years. We are looking to develop profitable offshore wind projects in selected markets, where the political support for renewable energy and the market incentive mechanisms are favourable.

Over the past few years, the market has become more mature, with increased competition for accessing incentives. Adopting an auctioning principle for awarding contracts has become a common approach. Developers must compete by providing plans for renewable energy at the lowest cost. This approach pushes the industry to further reduce costs and subsequently reduce the need for financial support from governments. We are working to increase cost competitiveness.

Our current offshore wind portfolio consists of ownership shares in the operating fields *Sheringham Shoal* and *Hywind Demo* and the development of the *Dudgeon*, *Hywind Scotland* and the *Dogger Bank* projects. The operating wind farms currently deliver renewable energy to more than 200,000 households in the UK. This number is expected to increase to more than 600,000 households when *Dudgeon* comes on stream in 2017.

In addition to these operations and projects, we are looking at future offshore wind prospects in Europe. Our ambition is to grow profitably and potentially expand into other sources of renewable energy. We will seek new opportunities to deliver attractive returns through innovation and venture activities. As an example, we are looking into pioneering hybrid concepts where offshore wind supplies power to offshore oil and gas installations. As a first step, Statoil has joined the WIN WIN Joint Industry Project, led by DNV GL, which will study the feasibility of a wind powered subsea water injection system.

In February 2016, Statoil launched a USD 200 million venture capital fund dedicated to investing in growth companies in renewable energy.

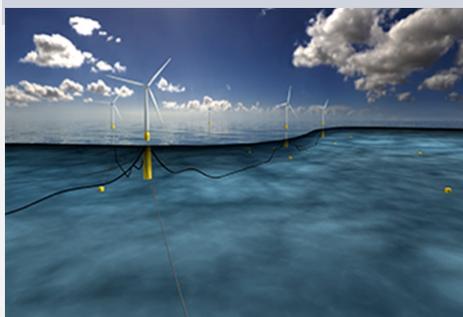
We monitor emerging technologies to assess their potential impact on the future energy landscape. This includes onshore wind, solar energy and energy storage technologies, but in a longer time perspective we are also following the development of more immature options such as hydrogen value chains, new CO₂ utilisation technologies and new marine renewable energy solutions.

Floating innovations

We have tested our unique floating offshore wind technology over the past six years through the single *Hywind Demo* turbine installed off the west coast of Norway.

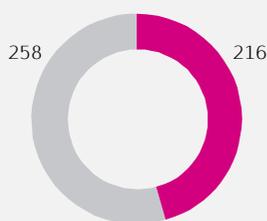
Now we are building the *Hywind Scotland* offshore wind farm which is expected to produce 140 GWh per year and supply 20 000 Scottish households with renewable power. This is the world's first floating offshore wind park with several turbines installed and the next step towards developing a full scale commercial park. Costs have been reduced by as much as 70% from the demo to *Hywind Scotland* and cost parity for floating wind with other energy sources is targeted by 2030.

The Hywind technology opens up vast areas of development in places where conventional bottom fixed structures are not feasible. One of these areas is offshore Japan, where feasibility studies are underway.



Low carbon R&D expenses 2015

(operating expenses, NOK million)



- CCS and renewables
- Energy efficiency (primary and secondary effect) and methane reductions



New Energy Solutions

In operation:

- Hywind Demo 2.3 MW offshore floating wind, Norway, installed
- Sheringham Shoal, 317MW offshore wind (220,000 homes), UK, installed 2012, ownership share 40%
- Sleipner CCS, Norway, installed
- Snøhvit CCS, Norway, installed
- Technology Centre Mongstad, Norway

Planned:

- Dudgeon, 402MW offshore wind, start up 2017
- Hywind Scotland, 30MW offshore floating wind, start up 2017
- Doggerbank, 4,800MW offshore wind, consented in 2015

Total renewable energy delivered 2015
(based on Statoil's equity share)

0.5 TWh

CO₂ captured and stored (accumulated):

19.5 million tonnes

Renewable energy venture capital fund:

USD 200 million

Cleaner Energy Initiative of the Year

Powering Collaboration was recognised by the Petroleum Economist with their "Cleaner Energy Initiative of Year" award.

The award, presented in September 2015, recognises outstanding efforts to promote cleaner energy and reduce pollution as well as carbon footprint.

Carbon capture and storage

Our engagement in CCS is an integrated part of our business. It is currently the main technology for decarbonising fossil fuels and we have been using it in some of our operations for more than twenty years. Our aim is to contribute to the development of commercial scale CCS projects, and we continue to enhance our knowledge and experience through ongoing research and operating activities.

The main focus for our carbon capture activities is related to the *Technology Centre Mongstad*, where proprietary and open technologies for CO₂ capture from flue gases have been successfully tested. We have shared the results with the international CCS community, contributing to an increased confidence in capture technologies.

We have installed CCS technology at *Sleipner* and *Snøhvit* in Norway. The accumulated volume of carbon captured and stored from these two assets was some 19.5 million tonnes by the end of 2015.

We are also investigating carbon reuse opportunities, related both to enhanced oil and gas recovery and the conversion to fuel and chemical technologies. This would improve the financial context for carbon capture and could potentially open up new business opportunities.

Energy efficiency

Many of our low carbon R&D efforts are related to improving energy efficiency, with more than 50 individual projects having energy efficiency benefits as a direct or indirect objective. Through energy efficiency improvements, we can combine emissions reductions with production efficiencies and cost savings.

R&D efforts related to energy efficiency and methane reduction initiatives represented more than half of our low carbon technology R&D expenses in 2015 (chart, previous page). Our total R&D expenses in 2015 were NOK 2.7 billion.

Sub-sea compression and processing which leads to considerable energy savings, and the development of more efficient gas turbines and more efficient turbine washing technology, are some focus areas. Another example is the Powering Collaboration partnership (below).

Powering Collaboration

The Powering Collaboration programme, launched in early 2015, is a step up in Statoil's collaboration with General Electric (GE). The programme aims to drive an industrial response to significant challenges associated with global energy production, including CO₂ and methane emissions and water usage.

Leveraging the companies' collective resources and competences, the programme focuses on developing new approaches to create efficient, low-cost technologies that can be broadly implemented.

Nearly 20 projects are underway, including new technologies in both offshore and onshore operations. Projects include the development of a lighter, more compact compressor engineered to deliver more power and lower emissions as well as more competitive solutions to capture energy from heat generated in operations. We are also testing the use of liquefied CO₂ stimulation to reduce water usage and increase production in shale wells. Other projects include piloting a new methane emission monitoring system and testing a new water treatment technology that uses oilfield wastes to treat water, produce electricity and capture CO₂.

The partnership is using crowdsourcing to reach out to innovators around the world to source ideas. The first two open innovation challenges addressed reduced use of sand and water in onshore shale operations. GE Oil & Gas and Statoil will help fund the commercial development of the winning approaches.



Safety and security

We believe that accidents can be prevented.



Making safety and security top priority

Compliance & Leadership

The Compliance & Leadership model is a structured way of working that focuses on understanding tasks, risks and requirements, in order to ensure the safe and efficient performance of any task.

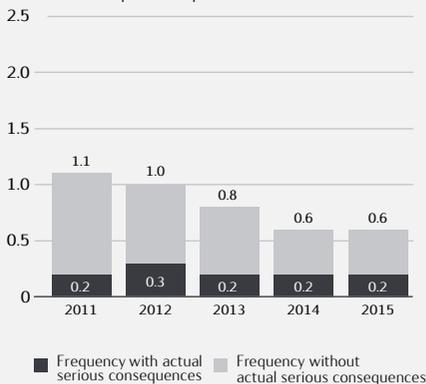
Since 2008, the Compliance & Leadership model has been a key management tool for operationalising our management system.

More than 450 leaders and 1,200 employees, including main contractors, have been trained in its practical use.

The Compliance & Leadership model is described in the *Statoil Book*, available at www.statoil.com/en/About/TheStatoilBook.

Serious incident frequency

(frequency of incidents with actual and potential serious consequences)(per million hours worked)



Total recordable injury frequency

(per million hours worked)



We aim to be an industry leader in ensuring safe and secure operations.

Safety and security concerns are particularly relevant for the oil and gas industry, because our core activities involve significant risk of accidents and incidents. We work with flammable hydrocarbons at high pressure, often in rough offshore environments and at height or depths.

Our ambition is to ensure safe and secure operations that protect people, the environment, communities and assets. Sound performance in this area is necessary for our long-term success. Our approach to safety and security entails:

- Preventing accidents and incidents
- Avoiding oil spills
- Ensuring a healthy work environment
- Developing a strong security culture

We recognise the risks associated with our business and are prepared to handle situations that require immediate action to save lives and protect people, the environment, assets and any third parties who may be affected. To ensure we are always prepared, we hold regular emergency response drills and provide practical training for areas such as travel security and hostage survival.

We work closely with industry peers on incident prevention and emergency preparedness. The energy industry is determined to learn from incidents so that we can prevent similar occurrences in the future. Through assurance activities, and by analysing our own incidents along with those of the energy industry at large, we ensure a dynamic approach to safety and security performance management.

Everyone working for us, and in the joint ventures we control, is required to comply with our safety, health and security standards and to intervene in unsafe situations. We actively engage with our contractors, as well as with the joint ventures we do not control, to encourage them to embed a strong safety and security culture in their workforces. We use the Compliance & Leadership model (box, left) to enhance safety performance through consistent risk control and learning.

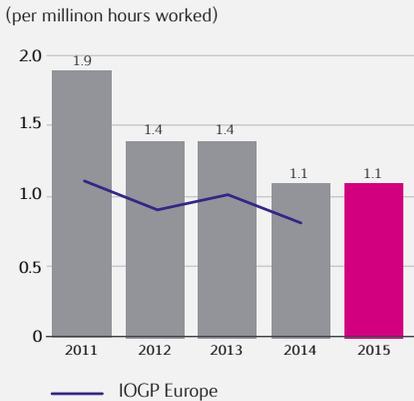
We are committed to providing a healthy working environment for our people. We make systematic efforts to design and improve working conditions in order to prevent occupational injuries, work-related illness and sickness absence, due to both physical and psychosocial risk factors in the working environment. We also promote the good health and well-being of all of our employees.



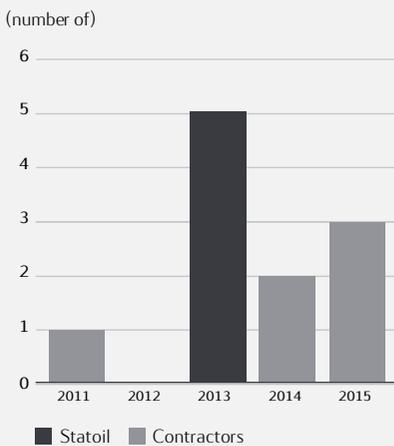


Preventing accidents and incidents

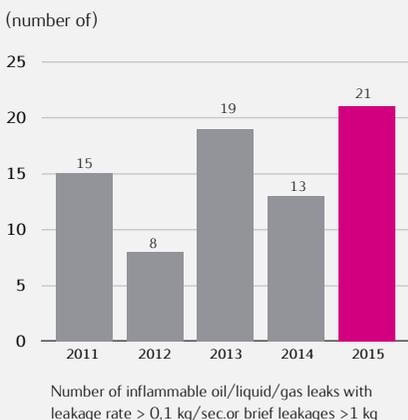
Lost time injury frequency



Fatalities



Serious oil and gas leakages



Avoiding major accidents and incidents is a top priority for Statoil.

Our serious incident frequency (SIF), including our own employees as well as our suppliers' employees, has improved significantly over the past years, from 1.1 incidents per million hours worked in 2011 to 0.6 incidents per million hours worked in 2015 (chart, previous page). The main cause for serious incidents this year was a combination of technical factors and insufficient understanding of risk.

Sadly, there were three fatalities among contractors working under Statoil management in 2015. One person died and two persons were injured as a result of a breaking wave that hit the drilling rig COSL Innovator on 30 December 2015. In our US operations, two separate road accidents resulted in two fatalities.

Total recordable injuries per million hours worked (TRIF) improved from 3.0 in 2014 to 2.7 in 2015. TRIF for our contractors was 2.8, down from 3.6 in 2014, while TRIF for our employees was 2.3, up from 1.7 in 2014.

How we can learn from incidents

Preventing hydrocarbon leakages is important to avoid major accidents. In 2015, we experienced an increase in the total number of serious leakages compared to 2014. All of these leakages are undergoing formal investigations and in-depth studies in order to capture learning and prevent similar incidents in the future.

While none of the leakages in 2015 were ignited, one had major accident potential - the *Gudrun* condensate leakage that took place on 18 February 2015. The main cause for this leakage was the design failure of a process valve, which created abnormal material stress and pipe rupture, allowing pressurized condensate to flow uncontrolled. The incident was investigated by our corporate audit team and the Norwegian Petroleum Safety Agency. The main areas of improvement identified were to change the design of the valve in question, change the vendor specification in contractual documents and enforce the focus on regular stress analysis once the project is taken over and the plant starts operations.

We did not experience any serious well control incidents in 2015, thereby reaching our target of zero such incidents. Our overall well control risk level remained stable.

Accidental oil spills

We have established a global oil spill response system, which includes close collaboration with industry peers and national and local communities. Trained response teams and sufficient equipment are ready to be mobilised when and where needed.

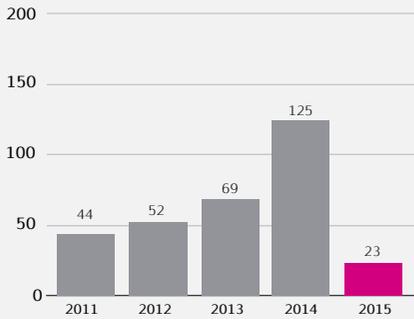
Our performance over the past five years indicates a significant reduction in the number of spills per year. In 2015, the total volume spilt was 23 m³, down from 125 m³ (chart, next page).

Of the 170 spills that took place this year, the largest was on 7 October 2015 at *Statfjord* (Norway). This 6.3 m³ oil spill occurred in connection with loading of crude oil from *Statfjord A* via a loading buoy system to a tanker. The point of leakage was one of the hose elements on the loading system. An internal environmental analysis concluded that there had been minimal harm to the marine fauna due to the spill's short exposure time on the sea surface.



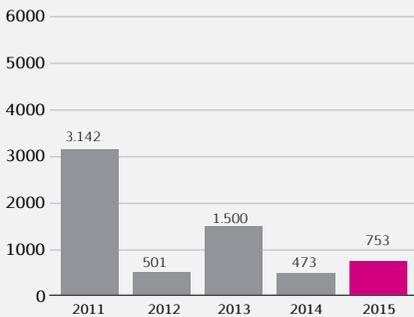
Oil spills

(cubic metres)



Other spills

(cubic metres)



Sickness absence*

(%)



* Includes Statoil ASA employees only.

Health and work environment

Our employees' health and a good work environment are important for safe and efficient operations. We work proactively to reduce our workers' exposure to physical health risks and to manage psycho-social challenges in the work environment. We also assess and monitor possible health effects of our activities on local communities.

Work related illness frequency and the psychosocial risk indicator are our main indicators for managing the work environment.

The most significant health and work environment risk factors for our employees are noise, ergonomics and chemicals as well as psychosocial risk related to ongoing organisational change processes. We are aware of increased health risk for those working in the Sub-Sahara region.

In 2015, we continued to fund research projects in areas where technical development is needed to better manage work environment risks, including noise and chemicals management.

Statoil was audited by the Norwegian Labour Inspection in 2014. Its report concluded that improvements were required in the areas of employee involvement in ongoing change processes. An improvement programme was executed in 2015 in close collaboration with employee representatives.

The total work related illness frequency remained stable in 2015, and the sickness absence rate increased slightly. While work related illness due to noise decreased, the incident rate related to psychosocial factors remained elevated due primarily to ongoing efficiency programmes. The overall psychosocial risk level remained stable.

Security

Security is a key issue for the oil and gas industry because we operate in many unstable regions. Security in Statoil is about understanding the security risks we face and about taking necessary actions to ensure we are secure. We systematically assess security threat and risk on a continuous basis in order to achieve effective and proportionate security risk management.

Recent incidents around the world have demonstrated the unpredictable nature of security threats. In 2015 the deteriorating security situation in North Africa, the terrorism threat in Europe, the increase of cyber-attacks on industrial control systems, and crime and civil unrest in parts of South America were the major threat trends in focus. No incidents with major consequences for Statoil were recorded during 2015.

Our two-year security improvement programme, established to significantly raise our capabilities and develop a stronger security culture, was finished on schedule in 2015. A road map has been established to further strengthen our security culture and capabilities by 2020. The road map includes actions within specific focus areas such as working together with suppliers to identify and mitigate security risk and developing our security culture.

We conduct safety and security activities in accordance with internationally recognised human rights principles, such as the Voluntary Principles on Security and Human Rights. This is described in the *Human rights* section on page 33.

Communities

Transforming resources into revenue, skills,
infrastructure and jobs.





Creating local value

Making opportunities that can endure for generations.

We aim to contribute to the development of communities where we have long-term operations. We work together with our stakeholders to find mutual benefits and lasting solutions to common challenges. We explain what we are trying to do and manage expectations.

Lasting local value means:

- Creating jobs, skills and business for local suppliers
- Being open about our activities and payments to governments
- Respecting human rights
- Using resources efficiently and preventing harm to the local environment

Economic impact

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

Our income before tax was NOK 4.3 billion in 2015, down from NOK 109.4 billion in 2014. This reflects lower oil and gas prices in 2015 (the group average oil price in USD/bbl was almost half of the price in 2014). As a result, corporate tax paid was reduced from NOK 96.6 billion in 2014 to NOK 65.7 billion 2015.

Other economic contributions to governments included NOK 16.7 billion in host government production entitlement, down from NOK 33.3 billion in 2014, and NOK 8.3 billion in bonuses, royalties and fees (including environmental fees).

Our purchases represent a significant part of our economic impact, as they create jobs and activities beyond our own company. In 2015, we purchased goods and services for almost NOK 171 billion, down from NOK 185 billion in 2014.

Our procurement from Norwegian registered companies was NOK 103.3 billion, compared to NOK 122.0 billion in 2014. As the largest oil and gas operator in Norway, our ambitions to reduce capital expenditure in 2015 impacted our suppliers, which were challenged to cut costs in new projects.

Economic impact (NOK billion)



1 Total revenues and income including income from sale of liquids on behalf of the Norwegian state's direct financial interests
 2 Purchased products for resale (including all the state's direct financial interest liquid production).
 3 Total amount of purchased goods and services. Part of the cost is charged to partners in activities we operate. Does not include the purchase of petroleum products, or goods and services other operators have purchased on our behalf.
 4 Salaries, pensions, payroll tax and other compensations.
 5 Corporate income tax, host government entitlements (value), bonuses, royalties and fees. Includes environmental fees and taxes.
 6 Sponsorships, donations and social investments (voluntary and contractual).
 7 Total dividends paid.
 8 Net income.

Payments to governments report

We report payments to governments per project and country in our *Payments to governments* report.



The report is available at www.statoil.com/annualreport2015



Social investments, sponsorships and donations

In 2015, Statoil spent around NOK 132 million on corporate sponsorships, of which NOK 108 million were for capacity building within science, education and technology. This includes long-term partnerships with academic institutions and support to science centres. NOK 24 million were used for culture/sport.

A further NOK 14 million was spent on charitable donations and NOK 37 million on social investments (of which NOK 5 million were contractual obligations).

We make social investments to strengthen local capacities, address social and environmental risk factors, and promote transparency and respect for human rights. Many of our social investments promote local education and competency development vocational training centres.

More information about our social investments is available on page 42.

More information about our sponsorships is available at

www.statoil.com/en/About/Sponsorships

Country sustainability plans

Our risk management process enables us to identify, understand, manage and monitor our exposure to significant risk elements in a particular country and in specific business opportunities. Balancing threats and opportunities effectively helps us to work towards our goals of creating local value and avoiding incidents.

An open dialogue with potentially affected communities and other interest groups are key elements in our risk management process. Through public consultations, surveys and interviews, we listen to local communities to understand how we can partner with them to create positive and lasting impacts, and how we can avoid or minimise potential negative impacts.

Our country sustainability planning process, introduced in 2014, is designed to facilitate collaboration across business entities and alignment on the approach to managing country-specific sustainability risks and stakeholder relations. Each plan provides an overview of significant sustainability risk factors and corresponding management actions. During 2014-2015, such plans were prepared for each of the countries where we have operations involving several business units.

Working with our suppliers

We are committed to using suppliers who operate consistently in accordance with our values and who maintain high standards of safety, security and sustainability.

These aspects are incorporated in all phases of our procurement process. All potential suppliers must meet our minimum requirements in order to qualify as a supplier and these include safety, security and sustainability criteria.

Potential suppliers for contracts valued at more than NOK 7 million are required to sign our Supplier Declaration, which establishes minimum standards for ethics, anti-corruption, security, health and safety, and respect for human rights and to promote these standards among their sub-suppliers. Additionally, for contracts that according to our assessment may involve a certain level of risk for breach of our Code of Conduct, we screen potential suppliers for integrity risk.

The Supplier Declaration is available at www.statoil.com/en/ouroperations/procurement/.

After awarding a contract we establish a supplier follow-up strategy based on our risk assessment. Our expectations regarding safety, security and sustainability are communicated to the supplier in the contract start-up meeting and throughout the contract period. We perform assurance activities such as follow-up meetings, verifications and audits to manage identified risks.

We train our supply chain personnel in safety, security and sustainability risk handling through classroom courses, e-learning courses and awareness sessions.

In 2015 we strengthened our process for assessing human rights risks related to procurement, by using an internationally recognised database as a supplement to our internal guidance. Based on these assessments, we conducted human rights verifications of relevant potential bidders and existing suppliers.

The verifications included interviews with management on policies and procedures, interviews with randomly selected groups of employees on perceived working conditions, and review of employee documentation. The basis for the verifications was the Supplier Declaration as well as international standards and local laws.

Our experience was that the verifications were received positively by those subject to verification, and that identified gaps were perceived as a good basis for improvement.



Local procurement per country 2015

	Procurement by Statoil (BNOK)	Procurement in host country* (BNOK)	Local procurement (%)
Norway	121.3	103.3	85
USA	20.2	20.0	99
UK	13.9	3.5	25
Brazil	6.3	4.4	70
Canada	4.4	4.3	97
Tanzania	2.0	1.7	83

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

A programme for local hiring

We invest in community programmes to build local capacity and create long-term benefits for indigenous groups and local stakeholders near our oil sands operations in Canada. We believe strong communities with a skilled workforce bring economic benefits to the region while providing a local pool of talent for our oil sands business.

Through our *Local Hire Programme*, we collaborate with other organisations to help young adults establish a career path in one of the many trades required for oil sands development. Programme participants are coached and mentored through the apprenticeship programme to achieve journeyman status. As a result, around 35% of our operations and maintenance contractors were from local communities in 2015.

The programme is a joint effort between Statoil and our maintenance contractor at the Leismer Project, Quinn Contracting, and the Northeast Alberta Apprenticeship Initiative.

Local content

Hiring and buying goods and services locally creates jobs, and builds and enhances local capacities and capabilities.

Examples of how we contributed to local content in 2015 include:

- The giant Johan Sverdrup oil field will be one of the most important industrial projects in Norway over the next 50 years. It is expected to create significant value to Norwegian society through tax payments, job opportunities and contracts to the industry. By the end of 2015, the value of contracts awarded to Norwegian registered companies was over NOK 34 billion, representing more than 70% of the allocated contract value.
- In Tanzania we spent NOK 7.6 billion with Tanzanian registered companies between 2010 and 2015, of which the majority was with international companies registered in Tanzania. This represented over 75% of the total procurement spend in Tanzania during the period. This has resulted in local job creation, skills development and tax revenues.
- In Brazil, we achieved 64% local content for our Peregrino field development, which is well above the 35% target commitment we have made to the Brazilian government. Partnerships with other oil companies have been key, both in terms of mapping local capacity through the supplier register CadFor, and by developing the local industry through the collaborative Local Content through Innovation programme.

In the countries where we operate, we are committed to recruiting locally and build local capacity and skills. More information about local recruitment and workforce diversity is available in the *People and organisation* section on page 40.





Transparency, ethics and anti-corruption

People can see what we do and the revenues we create.

The Extractive Industries Transparency Initiative (EITI)

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

World Economic Forum's Partnering Against Corruption Initiative (PACI)

Statoil is a participating member of PACI, a business-driven global anti-corruption initiative. The PACI Principles commit signatory companies to two basic actions: adoption of a zero tolerance policy on bribery and development of a practical and effective internal "Program" for implementing that policy.

United Nations Global Compact

Statoil supports the UN Global Compact's Principles, including the principle on Anti-Corruption, and is a standing member of the initiative's Anti-Corruption Working Group. The Group pro-actively develops policies and programmes to address corruption, and encourages the cooperation between business, civil society and governments to realise a more transparent global economy.

Statoil has made appeals to business to join the Group's "Call to Action" which encourages governments to address corruption and foster good governance.

One of our four core company values is *Open* and this embodies our approach to our business. Transparency is a cornerstone of good governance, and vital to ensuring that the wealth derived from the energy we produce is put to effective and equitable use. Transparency allows businesses to prosper in a predictable environment, contributes to a level playing field and enables citizens to hold governments accountable.

We support global transparency initiatives such as the *Extractive Industries Transparency Initiative*, the *United Nations Global Compact* and the *World Economic Forum's Partnering Against Corruption Initiative* (see box).

In addition to our revenue transparency disclosures, we aim to be open about our policy and performance on a wide range of sustainability topics. This year, we have particularly enhanced our climate related disclosures.

Revenue transparency

We were one of the first major oil and gas companies to voluntarily start disclosing payments to governments on a country-by-country basis. In 2015, we published our first *Payments to Governments* report, disclosing payments per project for our extractive activities.

Our second *Payments to governments* report (2015) is available at www.statoil.com/annualreport2015.

We welcome initiatives to strengthen revenue transparency legislation, including disclosure of payments per project, as laid out in the EU Transparency Directive and in the similar Norwegian legislation that came into effect in 2014. However, a global standard for revenue disclosure would be even more welcome. For Statoil, it is important that revenue transparency regulation applies globally, is effective, and creates a level playing field for all companies, communities and governments.

We had activities in ten EITI-implementing countries in 2015: Azerbaijan, Colombia, Indonesia, Mozambique, Myanmar, Nigeria, Norway, Tanzania, UK and the USA. In addition to disclosing the requested financial information, we provided USD 60,000 in financial support to the EITI and continued to be an alternate EITI board member on behalf of the constituency of companies. We were represented in the national EITI multi-stakeholder groups in Norway and Azerbaijan.

Ethics and anti-corruption compliance programme

We believe that responsible and ethical behaviour is a prerequisite for sustainable business. Statoil is opposed to all forms of corruption, including facilitation payments. We have in place a company-wide anti-corruption compliance programme that ensures implementation of our zero-tolerance policy. This entails mandatory procedures designed to comply with applicable laws and regulations.

Compliance officers, who are responsible for ensuring that ethics and anti-corruption considerations are integrated into our business activities, constitute an important part of the programme.



Code of Conduct



The Code of Conduct and the Anti-Corruption Program manual are available at www.statoil.com/ethicsandvalues/

We seek to work with others who share our commitment to ethics and compliance, and we manage risk through knowledge of our suppliers, business partners and markets. Our integrity due diligence process helps us to understand potential partners and suppliers, how their business is conducted and their values. Before entering into a new business relationship, or extending an existing one, the relationship has to satisfy our integrity due diligence requirements.

In joint ventures and business partnerships that are not controlled by us, we make good faith efforts to encourage the adoption of ethics and anti-corruption policies and procedures that are consistent with our standards.

We will not make gifts, donations or otherwise support political parties or individual politicians.

In 2015 we prioritised support and follow up activities of our compliance officers across the company and on strengthening our compliance officer network. Further, our *Code of Conduct* was updated and made more user-friendly.

Code of Conduct

Our Code of Conduct reflects our values and our commitment to high ethical standards in our business activities. The Code of Conduct describes our business practice requirements in areas such as anti-corruption, fair competition, human rights, working with communities and a non-discriminatory working environment with equal opportunities. It applies to Statoil employees, board members and hired personnel.

All employees have to confirm annually, electronically, that they understand and will comply with our Code of Conduct. The purpose of this confirmation is to remind the individual about their duty to comply with our values and ethical requirements. Disciplinary measures are in place for anyone working for us who does not comply with our code. This may entail termination of their contract.

We carry out Code of Conduct training and other more comprehensive training sessions on specific issues, such as anti-corruption, sanctions and anti-trust, and training specifically tailored to the board of directors, to explain how the code applies and to describe the tools we have made available to address risk. In 2015 we trained more than 1,900 individuals.

The Ethics Helpline

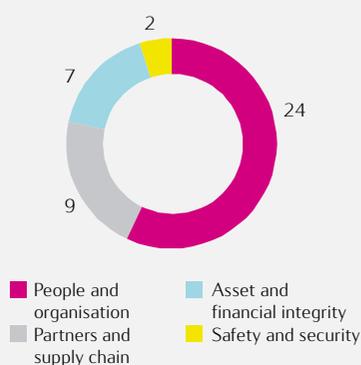
Our Code of Conduct requires reporting of suspected misconduct. Concerns can be reported through internal channels or through the Ethics Helpline. The Ethics Helpline is available 24/7 to both employees and the general public. It ensures confidentiality and protects the rights of both the caller and the potential subject of a report, enabling two-way communication.

The Chief Compliance Officer provides a quarterly report to the board of directors of the number and types of cases from the helpline. In 2015 we received 42 cases, mainly concerning People & Organisation, covering issues such as harassment, discrimination and personal misconduct.

More information about corporate governance is available in the *2015 Board Statement on Corporate Governance*, available at www.statoil.com/annualreport2015.

Ethics Helpline cases in 2015*

(number of)



*Categorised based on reporter's allegation. Cases reported through internal channels are not included.



Our human rights focus areas



Human rights related topics are covered throughout the report, in particular in the following sections: *Safety and security*, *People and organisation* and *Communities*.

Our human rights policy

The policy states our commitment to addressing the human rights issues and vulnerable groups that may be affected by our activities. It expresses our expectations of employees, suppliers and other business partners, as well as how we will address any adverse human rights impacts from our business activities. The policy clarifies what our commitment to respect human rights means for us, and how we will work in consistency with international human rights standards.

We seek to conduct our business in a way that is consistent with the UN Guiding Principles on Business and Human Rights (the UN Guiding Principles), the ten UN Global Compact principles and the Voluntary Principles on Security and Human Rights.

We are committed to respecting internationally recognised human rights as laid out in the International Bill of Human Rights, the International Labour Organization's 1998 Declaration on Fundamental Rights and Principles at Work, and applicable standards of international humanitarian law.

The policy is available in the *Statoil Book*, at www.statoil.com/en/About/TheStatoilBook

Human rights

Aiming to turn words into action.

Implementing the UN Guiding Principles

Throughout 2015, we have pursued several initiatives to give greater weight and relevance to our long-standing commitment to respect human rights. We developed a stand-alone human rights policy, consistent with the *UN Guiding Principles on Business and Human Rights* (box, left). The policy was based on consultations with stakeholders and the recommendations of workshops held with relevant business areas and functions, union representatives and international experts on business and human rights.

We have now initiated a gap analysis to identify how our human rights processes and practices need to further evolve to reflect our new policy. This will also provide a baseline for tracking our progress.

In 2015, the corporate executive committee established a Human Rights Steering Committee to further strengthen our commitment to managing our human rights performance. The committee consists of senior representatives from key business areas and staff functions and is chaired by our chief compliance officer. It is mandated to oversee and provide advice on the implementation of the policy and its further development. The performance is reported to the senior management and the board of directors' Safety, Sustainability and Ethics Committee. The committee members have received training on the UN Guiding Principles and participated in internal and external training events relevant for their daily work.

We have integrated human rights aspects into relevant internal management processes, tools and training. We assess our on-going activities, business relationships and new business opportunities for potential human rights impacts and aspects, following a risk-based approach. In 2015 we enhanced our supplier verification practices (page 30). We expect our suppliers and partners to comply with applicable laws, respect internationally recognised human rights and adhere to ethical standards that are consistent with our ethical requirements when working for us or together with us.

We continued to work with the industry organisation IPIECA to develop tools and share good practices for managing human rights issues.

Training is an important element of implementing human rights. We provide human rights training to employees based on risk and relevance. In 2015, specific training was given to employees in relevant technical, procurement and security roles, and in specific countries and projects. In addition, we addressed human rights as part of an internal e-learning course on sustainability offered to all employees.

Human rights and security

In some places, the context of our operations requires that we engage security services to safeguard our people and property. Particular focus is needed to ensure respect for human rights in security arrangements, where security services are not well regulated or security personnel are not adequately trained. Here we follow the international standards of good practices in security and human rights.

Statoil is an active participant in the Voluntary Principles Initiative (box, next page). Our commitment to the Voluntary Principles on Security and Human Rights is reflected in our policies and procedures for risk assessment, deployment, training and follow-up of private and public security providers. Prior to procuring security



The Voluntary Principles on Security and Human Rights

Established in 2000, the Voluntary Principles on Security and Human Rights are designed to guide extractive sector companies in maintaining the safety and security of their operations within an operating framework that encourages respect for human rights.

Participants in the Voluntary Principles Initiative — including governments, companies, and non-governmental organisations — agree to proactively implement or assist in the implementation of the principles.

Site selection in Tanzania

The Tanzanian government announced the selected site for a potential onshore LNG facility in the Lindi region in December 2015.

The selection was based on the joint recommendation from Statoil Tanzania and BG Tanzania, based on a thorough site selection process conducted to find a site that, among other factors, minimised the need for resettlement.

The government has allocated an area of about 2,000 hectares for the LNG plant and 17,000 hectares for other industrial purposes. The exact resettlement requirements are still being evaluated. We will continue to work with our project partners and the government to minimise any negative social and environmental impacts in the LNG project area.

services, we include human rights criteria as part of pre-qualification screening, integrity due diligence, and in contractual provisions and clauses, as appropriate.

We use armed security services provided by the local government in Tanzania and Nigeria. Security personnel are given human rights training commensurate with their duties. In 2015, we trained security guards in Tanzania and Algeria.

Community impact

We seek to engage with those who might be affected by our activities in an appropriate, timely and meaningful way. In 2015, we launched our framework for community grievance mechanisms. We have established such mechanisms in Tanzania and Brazil, as well as related to some of our exploration activities. Following a risk-based approach, we assess the need for establishing grievance mechanisms at other locations. We continue to address community queries and concerns through regular contact with the communities and in accordance with formal grievance-handling procedures required by the regulatory authorities.

In Tanzania, we received one grievance, related to damage to fishing gear. The case was resolved during 2015. Seven field visits were carried out when implementing the grievance mechanism (2014-2015). During these visits, the local communities raised the need for capacity building on safety issues. As a result, we provided training for more than 100 local fishermen on safety of life at sea in 2015.

In Brazil, we did not receive any grievances in 2015. Three field visits were conducted to listen to local leaders and fishermen, and to promote awareness about the grievance mechanism.

None of our projects in 2015 involved the involuntary resettlement or relocation of people. These factors are included in our project selection, risk assessments, and project planning, and we aim to avoid such situations.

Indigenous peoples

Sometimes, we conduct activities in areas traditionally owned or occupied by indigenous peoples or in ways that otherwise affect them. It is important for us to respect indigenous peoples' rights, customs, and traditions.

In Australia, we worked with the Central Land Council, which represents the local aboriginal people, when completing an onshore drilling campaign in the Northern Territory.

In New Zealand we further engaged with the Maori and other stakeholders regarding the West Coast Reinga permits and started cooperation with Chevron Texaco regarding the East Coast and Pegasus permits. Our approach is to listen, learn and to share plans and experience – being open about our activities. A key task for the country manager is to continue the dialogue to ensure that Statoil fully understands the local context in order to conduct our business in a respectful manner.



Resource efficiency and local environmental impact

We are committed to using resources efficiently.

We are committed to using resources efficiently, and we reuse or recycle wherever possible. This reduces the impact on the local environment and can also save costs. We strive to apply high standards in dealing with waste management, emissions to air and impact on ecosystems – wherever we work.

Water management

Our fresh water consumption was 14.5 million m³ in 2015, down from 14.8 million m³ in 2014, driven by reduced water use in our onshore shale operations. Responsible water management is important for us, and efforts to reduce water use are particularly relevant for our onshore operations in the USA and Canada.

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

- Evaluating local conditions and circumstances and working with local water authorities to find suitable water sources
- Assessing local needs to avoid disruptions to communities
- Conducting environmental evaluations to identify sensitive areas and wetlands
- Utilising water pipelines when possible to reduce truck use and traffic
- Limiting the use of fresh water through measures such as water recycling

We will draw on this experience when we commence onshore operations in eastern Algeria in 2016.

At our oil sands operations in Canada, we continued to decrease our fresh water use through reservoir management. More information is available in our Oil sands report 2015.

Statoil is co-funding a hydrogeological study in the Evergreen Underground Water Conservation District in the *Eagle Ford* shale formation in the USA. The purpose is to better understand the local water resources, to be able to protect these while possibly expanding industry's access to brackish water.

Chemicals

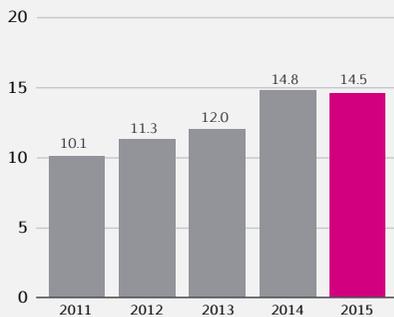
In 2015, we used over 28 thousand tonnes of hydraulic fracturing chemicals. We did not experience any significant loss of containment, spills or contamination associated with the use of such chemicals. We are aware of stakeholders concerns regarding the use of chemicals in hydraulic fracturing processes, and we disclose the chemicals used through FracFocus (box, left).

Our chemicals management programme entails a health, safety and environmental assessment and hazard ranking of chemicals. Chemicals with high risks that cannot be reduced are reviewed with the supplier for substitution for lower risk products.

For our offshore activities in Norway, fluorinated fire-fighting foams have been identified as chemicals of special concern. Through 2015, we substituted most of the fire-fighting foams containing 1% fluoro components used on our fixed offshore installations in Norway with less harmful chemicals.

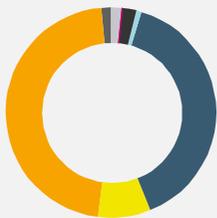
Fresh water consumption

(million cubic metres)



Fresh water consumption 2015

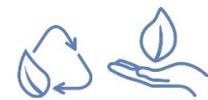
(cubic metres)



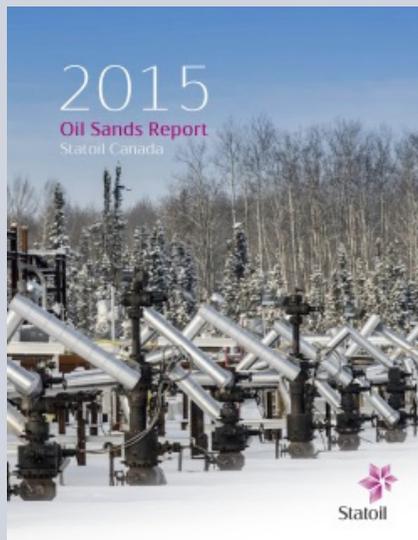
FracFocus

FracFocus is a publicly available hydraulic fracturing chemical registry in the USA. It was created to provide the public access to reported chemicals used for hydraulic fracturing in various locations.

www.fracfocus.org



Oil sands report 2015



The report is available at www.statoil.com/en/EnvironmentSociety/Sustainability.

Biodiversity and ecosystem services

We are concerned with valuing and protecting biodiversity and the ecosystem, and we follow precautionary rules and regulations to minimise potential negative effects of our activities.

We support research programmes to increase knowledge about ecosystems and biodiversity, and we collaborate with industry peers to share knowledge and develop tools for biodiversity management. In addition, we work with our suppliers to minimise invasive aquatic species and reduce risks pertaining to accidental spills related to shipping transportation

Some of our operations are located within or adjacent to areas of high biodiversity value: *Marcellus* (USA), *Leismer* (Canada) and *Dudgeon* (UK).

At *Leismer*, we are implementing a mitigation and monitoring programme to reduce the effects of our activities on local woodland caribou, which is categorised as a threatened species. In addition, we contribute to research to improve the habitat of the caribou.

At *Marcellus*, endangered bats restrict the time of year we can clear trees. In 2015, we created a Habitat Conservation Area for the endangered bats. After clearing land, we worked with the United States Fish and Wildlife Service (FWS) to offset the impact by purchasing 359 acres of land for the bats in perpetuity. FWS since adopted our approach as a template for future conservation programmes.

At *Dudgeon*, we implemented measures to protect great crested newts, water wolves and other protected species when installing an onshore high voltage cable.

Our approach to Arctic operations

Our approach to Arctic operation is not to move faster than technology allows and to ensure safe and responsible operations. We have a dedicated focus on research and development in Arctic environments and contribute to the development of new ISO standards for Arctic operations.

Our main focus area is in the Norwegian Barents Sea, where we have production, development and exploration activities. In 2015, 16 oil and gas companies joined forces to collaborate on exploration activities. The Barents Sea Exploration Collaboration aims to improve collaboration on topics such as ice management, environment and oil spill response, and health and working environment. The project has an initial timeframe of three years.

We have taken long-term positions in other Arctic basins and these are being matured for future exploration and production. In addition Statoil is a partner in an onshore licence in Russia. We have reduced our Arctic offshore portfolio since 2013 and did not drill any operated wells in Arctic waters in 2015. We have exited the Canadian Beaufort Sea, West Greenland and Alaska.

Oil spill response challenges in the Arctic are related to remoteness, seasonal darkness, cold temperatures, and potential sea-ice. We participate in the Arctic Response Technology Joint Industry Programme, which aims to improve the technologies and methodologies applying to Arctic oil spill response.

Emissions, waste and discharges

Environmental performance data are presented in the *Appendix: safety and sustainability data* on page 41.

We performed better than the industry average on all environmental indicators covered in the International Association of Oil & Gas Producers' annual environmental survey published in 2015 (IOGP Environmental performance indicators - 2014 data).

People and organisation

Creating a company that is fit for the future





Our people policy

Aiming to balance competitiveness and caring.

Our strategic objective is to build a globally competitive company which is an exceptional place to perform and develop. We aim to offer challenging and meaningful job opportunities that attract and retain the right people. We also have a global people policy in place intended to create a caring and inspiring working environment, value diversity and promote equal opportunities for all employees.

At the same time, given the current commercial environment, we are focusing on reducing costs and staff levels. We are committed to doing this in a way that is respectful and considerate of those affected. In particular, we involve our people in the ongoing initiatives to increase efficiency.

Our global people policy, coupled with our values and Code of Conduct, are the most important guidelines shaping our approach to people and organisation. This policy is available in the Statoil Book, at www.statoil.com/EthicsandValues.

Organisational change and employee cooperation

We seek to promote good employee and industrial relations practices through various networks and forums. 70 % of our employees in Statoil ASA are members of trade unions.

We collaborate with employee representatives on on-going organisational change processes, and we strive to find solutions that are satisfactory both for our employees and for the company. In 2015, we established a temporary collaboration forum specifically for the restructuring programmes, with unions and safety delegates in Norway. In addition, the European Works Council continues to be an important forum for collaboration between the company and our employees.

More information about how we manage psychosocial risks related to the ongoing change processes is available on page 27.

In our annual Global People Survey, which continued to have a high response rate of 85%, employees reported an average overall satisfaction score of 4.6 on a scale from 1 to 6 (6 being the highest). This is a slight increase from 4.5 in 2014.

Learning and development

We encourage our employees to take responsibility for their own learning and development, continuously building new skills and sharing knowledge, supported by our Corporate University, LEAP (Learn, Engage, Achieve, Perform).

Over the past few years, we have replaced many of our traditional classroom courses with more flexible forms of training such as e-learning (table, left) and targeted on-the-job learning. The purpose has been to increase the learning impact and cost efficiency of our training portfolio.

People@Statoil is our common process for people development, deployment, performance and reward. It is an integrated part of our performance management and applies to all employees.

Talent attraction

It is Statoil's ambition to be the most attractive employer in our key talent markets. In 2015, we recruited 42 graduates into core competence areas. Our annual intake of apprentices reflects our long-term commitment to the education and training of young technicians and operators in our industry. In 2015, we awarded apprenticeships to 127 new students, of which 42 were women. The total number of apprentices at year end was 282.

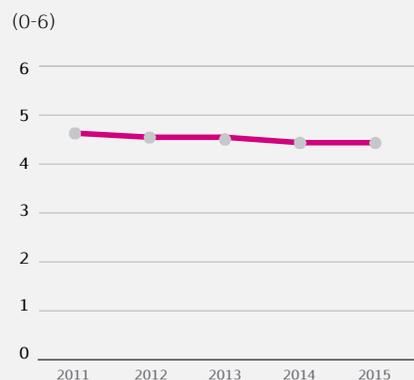
Improvement programmes

As part of our effort to reduce cost and enhance organisational efficiency, we have initiated several programmes over the past few years designed to meet the target of saving USD 1.7 billion per year.

These programmes have involved reducing staff by more than 900 permanent employees and more than 750 consultants in 2015. A further staff reduction is planned for 2016, intended to result in a total number of employees in the range of 20,700-21,100 by the end of 2016.

To handle redundancies, we have used internal deployment and voluntary measures such as severance packages.

Global People Survey satisfaction score



Average training per employee*

	2015	2014	2013
Course days	2.8	3.3	4.8
E-learning participations	3.0	2.2	2.0

*Internal learning activities.

An attractive employer

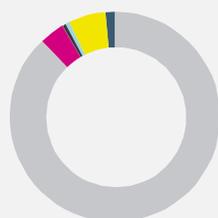
In 2015 we were ranked as number 1 amongst engineering students and professionals in the Norwegian Universum Employer Attractiveness ranking.



Leadership diversity



Employees per region



Norway	18,977
Rest of Europe	855
Africa	98
Asia	97
North America	1,265
South America	289

An overview of the number of employees per country is available on page 42.

Local workforce 2015*

	Local employees (%)	Local managers (%)
Brazil	87	85
Canada	90	85
Denmark	99	94
Norway	100	99
UK	69	63
USA	91	83

*"Local employees" are employees who work in the country where the Statoil subsidiary that has formally employed them, is registered.

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

Diversity and inclusion

Diversity encourages new and different ways of thinking and is crucial for our successful and sustainable international growth. We are an international company and are committed to recruiting a local workforce in the countries where we operate (see the *Communities* section).

In 2015, we continued to focus on increasing the number of women in leadership and professional positions and on building broad international experience in our workforce. Despite the overall reduction of 181 leadership positions, we increased the share of women in management by 0.5%. We are committed to maintain the positive trend in 2016. In the Global People Survey, we maintained our high score of 5.1 (6 being the highest) for our target of zero tolerance for discrimination and harassment in the workplace.

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

Workforce data

	2015	2014	2013	2012	2011
Permanent employees*	21 581	22 516	23 413	23 028	21 309
Consultants	648	1411	2122	2983	3820
Staff, non-Norwegians (%)	19	20	21	20	18
New hires, non-Norwegians (%)	73	60	48	41	42
Staff, women (%)	31	31	31	31	31
New hires, women (%)	35	33	34	30	34
Earnings female vs male (ASA) (%)*	98	98	98	98	98
Total turnover group (%)	4	5	4	2	2
% Member of trade union (ASA)**	70	68	66	65	66
Number of apprentices	282	315	343	340	386
Global People Survey satisfaction score	4.6	4.5	4.6	4.6	4.7

* Enterprise personnel (roughly 30,000 people) are not included. These are third-party service providers working for us. ** Statoil ASA (employees in Norway) only.

Local workforce

We are an international company with an international workforce. In the countries where we operate, we are committed to recruiting locally and providing training opportunities that build local capacity and skills. This is reflected in the share of local employees in our main countries of operation (table, left).

Many of our expatriates in the UK are assigned to projects managed by our business partners and suppliers that use the UK as a base. For this reason, the share of local employees in the UK is lower than in other countries in the overview.

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

A low-angle photograph of an offshore oil rig. The structure is composed of a complex network of steel beams, ladders, and walkways. A prominent feature is a tall, slender tower with a flat top, extending diagonally across the frame. The rig is painted in shades of red and grey. The background is a clear blue sky with scattered white clouds. The ocean is visible at the bottom of the frame.

About the report and data

Appendix: safety and sustainability data

Production and environmental data

Production data	2015	2014	2013	2012	2011	2010
Operated production (mmboe)	1,073	997	974	1,083	n/c	n/c
Equity production (mmboe)	719	703	708	731	675	689
Renewable energy production, equity (GWh)	475	536	538	300	47	86
Greenhouse gas emissions (GHGs)						
CO ₂ emissions (million tonnes)	15.4	15.3	15.1	15.1	13.7	13.4
Methane (CH ₄) (thousand tonnes)	36.3	40.6	37.0	38.3	33.5	33.4
Scope 1: Direct total GHGs (million tonnes CO ₂ equivalents)	16.3	16.3	16.0	16.0	14.6	14.2
Scope 2: Total indirect GHGs (million tonnes CO ₂), location based factor [1]	0.3	0.3	n/c	n/c	n/c	n/c
Scope 2: Total indirect GHGs (million tonnes CO ₂), market based factor [1]	2.2	n/c	n/c	n/c	n/c	n/c
Scope 3 : Total GHGs (million tonnes CO ₂ equivalent)	295	288	290	299	277	n/c
CO ₂ captured and stored (accumulated) (million tonnes) [2]	19.5	18.0	17.0	16.0	14.0	13.0
Emission reductions (million tonnes CO ₂)	0.6	0.3	0.2	n/c	n/c	n/c
Flaring and energy consumption						
CO ₂ from flaring (million tonnes)	1.4	1.9	1.8	1.1	1.2	1.3
Flaring (thousand tonnes hydrocarbon flared)	440	570	n/c	n/c	n/c	n/c
Flaring intensity, upstream (tonnes gas flared/1000 tonnes hydrocarbons produced)	3	4	n/c	n/c	n/c	n/c
Energy consumption (TWh)	75	74	72	72	67	65
Acid gases and VOCs						
Sulphur oxides (SO _x) (thousand tonnes)	2.5	2.2	2.0	1.8	1.9	1.4
Nitrogen oxides (NO _x) (thousand tonnes)	42	47	46	45	41	42
Non-methane volatile organic compounds (nmVOC) (thousand tonnes)	60	72	58	60	43	45
Water and chemicals						
Fresh water consumption (million cubic metres)	14.5	14.8	12.0	11.3	10.1	12.1
Hydraulic fracturing chemicals (thousand tonnes)	28	26	n/c	n/c	n/c	n/c
Waste						
Hazardous waste recovery rate (%)	16	13	10	11	17	29
Non-hazardous waste recovery rate (%)	67	58	43	42	45	52
Hazardous (thousand tonnes)	309	339	378	304	244	279
Non-hazardous (thousand tonnes)	38	51	63	66	66	147
Exempt waste [3]						
Cuttings and solids (thousand tonnes)	117	203	n/c	n/c	n/c	n/c
Produced water and flowback (million m ³)	5	4	n/c	n/c	n/c	n/c
Regular discharges of oil to water (thousand tonnes)	1.4	1.4	1.2	1.2	1.2	1.2
Safety and environmental fines						
Safety and environmental fines (> NOK 1 mill) (NOK million) [4]	7	0	51	n/c	n/c	n/c

n/c = not calculated.

[1] A location-based calculation method reflects the average emissions intensity of grids (using mostly grid-average emission factor data). A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contracts between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims. (Source: GHG Protocol.)

[2] CO₂ captured and stored from Statoil-operated assets. Does not include CO₂ captured and stored from the joint operatorship In Salah (included in 2014 Sustainability report).

[3] Drill cuttings and produced and flow-back water from our US operations are exempt from regulation as hazardous waste and are not included in the waste recovery figures.

[4] The fine of NOK 7 mill relates to a leakage from an injection well at Statfjord B in 2012.

CO₂ emission intensity per production segment

	2020 target	Share of operated production	2015	2014	2013	2012
Conventional	11	89%	9	9	9	8
Heavy oil	17	2%	17	15	14	17
Extra heavy oil	n/a	1%	66	67	70	56
LNG	24	4%	22	24	27	26
Shale gas	6	2%	6	8	n/a	n/a
Tight oil	18	2%	21	36	46	44
Total (upstream)	9	100 %	10	11	11	10

Health and safety data

	2015	2014	2013	2012	2011
Total recordable injury frequency (TRIF) (per million hours	2.7	3.0	3.8	3.8	4.4
TRIF employees (per million hours worked)	2.3	1.7	2.0	2.7	3.3
TRIF contractors (per million hours worked)	2.8	3.6	4.7	4.3	5.1
TRIF Norway (per million hours worked)	2.9	3.3	3.8	3.9	4.3
TRIF South Korea (per million hours worked)	0.9	0.6	1.0	n/a	n/a
TRIF USA (per million hours worked)	2.8	3.7	4.2	3.8	1.6
Serious incident frequency (SIF) (per million hours worked)	0.6	0.6	0.8	1.0	1.1
Frequency with actual serious consequences (per million hours	0.2	0.2	0.2	0.3	0.2
Fatalities					
Fatalities employees (number of)	0	0	5	0	0
Fatalities contractors (number of)	3	2	0	0	1
Lost time injury frequency (per million hours worked)	1.1	1.1	1.4	1.4	1.9
Serious oil and gas leakages (number of)	21	13	19	8	15
Oil spills (cubic metres)	23	125	69	52	44
Other spills (cubic metres)	753	473	1,500	501	3,142
Sickness absence (%)	4.1	3.8	3.9	3.7	3.8

Workforce per country

Country	Permanent employees	Country	Permanent employees
Algeria	28	Kazakhstan	3
Angola	27	Libya	5
Azerbaijan	15	Netherlands	12
Bahamas	59	Nigeria	10
Belgium	80	Norway	18,977
Brazil	264	Russian Fed.	42
Canada	342	Singapore	33
China	21	Tanzania	28
Denmark	329	United Kingdom	362
Faroe Islands	5	United Arab Emirates	3
Germany	23	USA	864
Indonesia	2	Venezuela	25
Ireland	2		
Total			21,581
Total OECD			20,991
Total non-OECD			590

Social investments (NOK million, rounded)

	Voluntary	Contractual	Main projects
Angola*	5		Higher and rural education. Governance. Human rights.
Brazil	1	5	Community engagement (licencing programmes).
Canada	10		Support to indigenous communities. Local hiring programme.
Nigeria	1		Local capacity building (Akassa project).
Tanzania	14	1	Higher education.

Includes countries where social investments were above NOK 1 million in 2015.

*Social contributions paid as part of signature bonuses in Angola are reported in the 2015 Payments to governments report (bonuses). In the 2014 Sustainability report, voluntary social investments in Angola were reported as NOK 2 million. The correct amount was NOK 10 million.

Reporting principles

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

As a supplement, our reporting is informed by the *IPIECA Oil and gas industry guidance on voluntary sustainability reporting*. We regard our sustainability report to be our *Communication of Progress* report to the *United Nations Global Compact*. In our opinion, we meet the requirements for the *Global Compact Advanced* reporting level.

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

Reporting boundaries

Defining consistent boundaries for sustainability reporting is challenging due to the complexity of ownership and operational arrangements, such as joint operating agreements. We strive to be consistent and transparent about variations in boundaries. Non-financial data are reported on a 100% basis for companies and joint ventures where we are the operator or the technical service provider, unless otherwise stated. We report this way, in line with industry practice, because these are the data we can directly manage and affect. An overview of Statoil- and partner-operated assets is available at www.statoil.com.

- We report **health and safety incident data** for our operated assets, facilities and vessels, including subsidiaries and operations where we are the technical service provider. In addition, we include contracted drilling rigs, floatels and vessels, projects and modifications and the transportation of personnel and products, using a risk based approach².
- We report **environmental data** on a 100% basis for our operated assets, facilities and vessels, including subsidiaries and operations where we are the technical service provider, and for contracted drilling rigs and floatels. Environmental data represent our direct emissions, discharges, consumption etc. unless otherwise stated.
- We collect **social performance data** from assets under our operational control.
- Our **workforce data** covers employees in our direct employment. Temporary employees are not included.
- We report **economic data** on an equity basis, unless otherwise stated

Operations acquired or disposed of during the year are included for the period we owned them, unless otherwise stated. Entities that we do not control, but have significant influence over, are included in the form of disclosures of management approach.

Material topics

Material topic	Boundary	Material topic	Boundary
Climate change and energy supply		Resource efficiency & local environmental impact	
Climate position	Group	Emissions to air	Operations
Climate risk and portfolio resilience	Group	Chemicals	USA onshore, Norway offshore
Low carbon technologies	Group	Biodiversity and ecosystem services	Operations
Ongoing emissions management	Operations	Water management	USA, Canada & Algeria (onshore)
Anti-corruption and transparency		Local value creation	
Payments to governments	Group	Community engagement	Operations
Anti-corruption and bribery	Group, partners, suppliers	Economic impact	Operations
Safety and security		Human rights	
Personnel safety	Workforce, contractors	Local procurement	Operations
Spills and leakages	Operations	Local workforce	Operations
Health and work environment	Workforce	Security services	Algeria, Tanzania, Libya
Security	Workforce; operations	Community impact	Operations
People and organisation		Responsible supply chain	
Talent attraction	Workforce	Safety and sustainability requirements	Group, suppliers
Organisational change & employee cooperation	Workforce		
Diversity and inclusion	Workforce		
Learning and development	Workforce		

² We apply a framework of minimum requirements for recording safety and environmental data for operations within our control. In addition, we apply a business risk-based approach to data recording, extending our sphere of influence beyond what is considered to be within our operational control.

Definitions

- *Boe*: Barrel of oil equivalent.
- *Carbon dioxide (CO₂) emissions*: Emissions from energy and heat production, flaring (including well testing/well work-over), rest emissions from capture and treatment plants, and emissions of CO₂ as a result of process emissions.
- *CO₂ emissions intensity*: Total scope one emissions of carbon dioxide (kg CO₂) divided by total production (boe).
- *Contractual social investment*: Social investments that are part of a PSA agreement or mandated in host government law.
- *Energy consumption*: Energy from power and heat production based on combustion, unused energy from flaring (including well testing/ work-over and venting), energy sold/delivered to third parties and gross energy (heat and electricity) imported from contractors.
- *Flared hydrocarbons*: Weight of hydrocarbons combusted in operational flare systems. Includes safety and production flaring.
- *Flaring intensity*: Flared hydrocarbons from upstream activities (incl. LNG) per hydrocarbons produced.
- *Fresh water consumption*: Includes water from public installations, wells (included reservoirs), lakes, streams, rivers and purchased fresh water. Fresh water produced from salt water on facilities/installations is not included.
- *Greenhouse gas emissions, scope 1*: Direct emissions (as defined by the Greenhouse Gas Protocol) of CO₂ and CH₄, expressed as CO₂ equivalents. Other GHGs are considered negligible for Statoil. The *global warming potential* factor used for CH₄ is 25, which represents a 100-year time horizon for CH₄. This is aligned with the reporting requirements of national inventories under the United Nations Framework Convention on Climate Change.
- *Greenhouse gas emissions, scope 2*: Indirect emissions as a consequence of gross energy (electric power and heat) imported from a third party.
- *Greenhouse gas emissions, scope 3*: Indirect emissions as a result of the customers' end use of our products sold (equity basis).
- *Hazardous waste recovery rate*: The total quantity of hazardous waste from the plant's operation that has been delivered for reuse, recycled or incinerated with energy recovery, as a proportion of the total quantity of hazardous waste.
- *IEA*: International Energy Agency.
- *IPIECA*: The global oil and gas industry association for environmental and social issues.
- *IPPC*: International Panel on Climate Change.
- *LNG*: Liquefied natural gas.
- *Lost-time injury frequency*: The number of fatalities and lost-time injuries per million hours worked.
- *Mboe*: thousand barrels of oil equivalents.
- *Mmboe*: million barrels of oil equivalents.
- *Methane (CH₄) emissions*: Includes emissions from energy and heat production at own plants, flaring (including well testing/well work-over), cold venting, diffuse emissions, and the storage and loading of crude oil.
- *Nitrogen oxides (NO_x) emissions*: Emissions from energy and heat production at our own plants, the transportation of products, flaring (included well testing/well work-over) and treatment plants.
- *Non-hazardous waste recovery rate*: The quantity of non-hazardous waste from the plant's operation that has been delivered for reuse, recycled or incinerated with energy recovery, as a proportion of the total quantity of non-hazardous waste.
- *Non-methane volatile organic compounds (nmVOC) emissions*: Emissions from energy and heat production, transportation of products, flaring (including well testing/well work-over), cold venting, diffuse emission sources and storage and loading of crude oil and products.
- *Oil spill*: All unintentional oil spills to the natural environment.
- *Operations*: Temporary or permanent sites, activities and assets used for exploration, extraction, refining, transporting, distributing, and marketing petroleum products.
- *Other unintentional spills*: Unintentional spills of chemicals, produced water, ballast water and polluted water reaching the natural environment.
- *Psychosocial work environment*: The psychosocial work environment concerns aspects of the design and management of work and its social and organizational context that could have an impact on the employee's health and well-being.
- *Serious incident frequency (SIF)*: The number of serious incidents (including near misses) per million hours worked. An incident is an event or chain of events that has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party. All undesirable incidents are categorised according to degree of seriousness, based on established categorisation matrices.
- *Serious incident frequency (SIF), actual*: The number of actual serious safety incidents categorised with a red degree of seriousness per million hours worked.
- *Serious oil and gas leakages*: Number of inflammable oil/liquid/gas leaks with leakage rate >0.1 kg/second or brief leakages >1kg.
- *Sickness absence*: The total number of sickness absence hours as a percentage of planned working hours (Statoil ASA employees).
- *Sulphur oxides (SO_x) emissions*: Emissions from energy and heat production and flaring, including well testing/well work-over.
- *Total recordable injury frequency*: Number of fatal accidents, lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked.
- *Voluntary social investment*: Voluntary contributions to mitigate social risks and enhance opportunities for local communities.

Independent assurance report

To the board of directors of Statoil ASA

Our conclusion in respect of the Report

We have reviewed the Sustainability Report 2015 (hereafter 'the Report') of Statoil ASA (further 'Statoil').

Based on our review, nothing has come to our attention to indicate that the Report is not presented, in all material respects, in accordance with the G4 Guidelines of the Global Reporting Initiative including the Oil and Gas Sector Supplement and internally developed guidelines as described in the section *About the Report*.

Our opinion in respect of safety and environmental performance information

We have also performed reasonable assurance procedures on the following safety and environmental performance indicators:

- Included in the sections *Safety and security* and *About the report and data*: Total recordable injury frequency (TRIF), Serious incident frequency (SIF), Fatalities, Oil spills, Serious oil and gas leakages;
- Included in the sections *Climate change*, *Communities* and *About the report and data*: Greenhouse gas emissions scope 1, CO₂ emissions, CH₄ emissions, NO_x, Energy consumption and SO_x emission.

In our opinion, the information for these indicators is presented, in all material respects, in accordance with the reporting criteria.

Basis for our conclusion and opinion

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

Our responsibilities under ISAE 3000 and procedures performed have been further specified in the paragraph titled "*Our responsibility for the review of the Report*".

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion and opinion.

Key review matter: Attention for enhanced climate disclosures

Key review matters are those matters that, in our professional judgment, were of most significance in our review of the Report. The key review matters are not a comprehensive reflection of all matters discussed. These review matters were addressed in the context of our review of the Report as a whole and in forming our conclusion thereon, and we do not provide a separate conclusion on these matters.

Description

Statoil has been requested by means of a shareholder resolution to disclose information about the portfolio resilience in different IEA scenarios. Statoil responded to this request in the 2015 report. Due to the significance of these disclosures for the shareholders and other stakeholders, this has been a significant review matter for KPMG.

Our response

We have reviewed Statoil's methodology and assumptions underlying the portfolio resilience testing. We conducted interviews with climate specialists at Statoil and other relevant staff involved to understand the assumptions taken for the scenarios presented. We also reviewed the mathematical accuracy of the calculations supporting the portfolio sensitivity information included in the report for the different scenarios. Finally we reviewed the presentation in the report to assess whether it reflected the knowledge gained from these activities.

Our observation

Our overall assessment is that the information as included in the chapter *Climate risk and portfolio resilience* sufficiently reflects Statoil's current views on the potential effects on the portfolio in the different IEA scenarios.

Responsibilities of the board of directors and corporate executive committee for the Report

The board of directors' Safety, Sustainability and Ethics Committee and the corporate executive committee is responsible for the preparation of the Report in accordance with the GRI G4 Guidelines including the Oil and Gas Sector Supplement and internally developed criteria as described in the section About the Report. It is important to view the information in the Report in the context of these criteria.

As part of this, the corporate executive committee is responsible for such internal control as it determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibility for the assurance of the Report

Our objective is to plan and perform the assurance assignment in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion and opinion.

We maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement has been performed with a limited level of assurance for the Report, and reasonable assurance on the data and related explanatory notes for the safety and environmental performance indicators information as listed under 'Opinion in respect of the safety and environmental performance information'.

Procedures performed in a limited assurance engagement are aimed at determining the plausibility of information and therefore vary in nature and timing from - and are less extensive than - a reasonable assurance engagement. Our audit of the safety and environmental performance information as defined above has been performed with a high, but not absolute level of assurance, which means we may not have detected all errors and fraud when these exist.

The procedures selected depend on our understanding of the Report and the indicators and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. The following procedures for limited assurance on the Report were performed:

- A risk analysis, including a media search, to identify relevant sustainability issues for Statoil in the reporting period.
- Evaluating the design and implementation of the reporting processes and the controls regarding the qualitative and quantitative information in the Report.
- Interviewing management at corporate, business and local level responsible for the sustainability strategy, policies, communication, implementation, management, internal controls and monitoring and reporting.
- Evaluating internal and external documentation, based on sampling, to determine whether the information in the Report is supported by sufficient evidence.

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

- Interviews with relevant staff at corporate, business and local level responsible for providing the information in the Report, carrying out internal control procedures on the data and consolidating the data in The Report.
- Visits to two production sites in Norway and the USA to review the source data and the design and implementation of controls and validation procedures at local level.
- An analytical review of the data and trend explanations submitted by all businesses for consolidation at corporate level.

Trondheim, 9 March 2016

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